Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong ...... HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway NKr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,349 Tuesday September 29 1987 D 8523 A

Iraq: Facing a growing challenge from Kurdish rebels, Page 26

World News

US bomber crashes on training mission

A US B-1B strategic bomber crashed yesterday near La Junta in eastern Colorado during a training mission but three of its six crew members parachuted to safety.

The other three crew members were unaccounted for. The plane was not carrying any bombs, the air force said.

Schroeder bows out

Congresswoman Patricia Schroeder bowed out of the US 1988 Democratic presidential race, disappointing those who hoped she would be the first woman to attempt to win a major party nomination. She said the organisational demands of a successful campaign were too great at this stage of the contest.

South Africa floods

Torrential rain in Natal, South Africa, have left thousands of Zulus homeless and record rains, combined with hail, snow, lightning and wind, have left about 40 people dead.

Gelli extradition delay

Switzerland will not extradite Italian fugitive Licio Gelli immediately, despite the eagerness of Geneva authorities to hand him over to Italy. Page 3.

Pay rise anger

The rift between Spain's governing Socialist party and the Union General de Trabajadores has widened after a decision to restrict pensions and public sector wage increases. Page 3

Zaccaro on trial

John Zaccaro, husband of former Democratic vice-presidential candidate Ms Geraldine Ferraro, has gone on trial in New York accused of attempting to extort a $1m bribe from a cable television company.

Spanish trains collide

At least 20 people were injured, three seriously, when a passenger train and a goods train crashed in north-eastern Spain outside Almacellas.

Former Nazi jailed

A former Nazi officer, Henry Schmidt, 74, has been sentenced to life imprisonment in Dresden for crimes against humanity, including sending 700 Jews to labour and death camps and torturing prisoners.

Fiji political impasse

Fiji's political crisis has reached an impasse as the post-coup confrontation deepens between Col Sitiveni Rabuka, armed forces chief, and the governor-general. Page 8

Tokyo hostage dies

A maid who was held hostage and then shot by her captor when police stormed a Tokyo property businessman's home on Monday has died in hospital.

Palestinians killed

Two Palestinians have been killed and two seriously injured in a brawl between two families in the Israeli-occupied West Bank.

Iran execution

A relative of Ayatollah Hussein Ali Montazeri, designated successor of Ayatollah Ruhollah Khomeini, has been executed in Tehran. Page 8

Zambia appeal

Prime Minister Kebby Musokotwane has appealed to aid-supplying nations to keep an open mind about Zambia's go-it-alone economic policies and support efforts to restructure the economy.

Chissano seeks aid

Mozambican President Joaquim Chissano is in France to seek economic and military aid from French leaders.

Angolan call

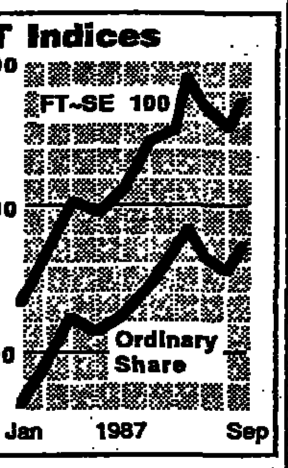
Angolan President Jose Eduardo dos Santos, on his first official visit, has urged Portugal to clamp down on the activities of Unita rebels based in Lisbon.

Business Summary

Australians pay A$750m for Fairfax share stakes

ROBERT HOLMES A COURT and Kerry Packer, two leading Australian businessmen, have paid A$750m (US$550m) in separate deals for stakes in John Fairfax, the Australian media group, taking their holdings to 9 and 4 per cent respectively. Page 27

LONDON: Equities advanced strongly, buoyed by the G-7 finance ministers' renewed pledge to stabilise currencies and by a strong opening on Wall Street. The FT-SE index gained 25.5 to 2,308.1 and the FT Ordinary index rose 19.7 to 1,851.3. Details, Page 46



WALL STREET: The Dow Jones industrial average closed 31.33 up at 2601.50. Page 58

TOKYO: Active buying in large-capital steels and heavy electricals lifted share prices sharply higher. The Nikkei stock average advanced 324.55 to 25,837.34 in busy trade. Page 50

MALAYSIAN stockbrokers decided to abandon a 50m ringgit ($20m) lifeboat fund set up to rescue members of the Kuala Lumpur Stock Exchange hit by forward contract losses as a result of the Pan-Electric crisis of late 1985. Page 58

GOLD rose $0.25 on the London bullion market to close at $462.25. It also rose in Zurich to $461.85 ($461.75). Page 38

DOLLAR closed in New York at DM1.8280, Y144.35, SFr1.5160 and FFr6.0905. It rose in London to DM1.8250 (DM1.8205); to FFr6.0825 (FFr6.07); to SFr1.5140 (SFr1.5110); and to Y144.10 (Y143.65). On Bank of England figures the dollar's exchange rate index rose to 101.3 (101.2). Page 39

STERLING closed in New York at $1.6390. It fell in London to $1.6420 ($1.6425); but rose to DM2.9975 (DM2.99); to FFr9.9875 (FFr9.97); to SFr2.4850 (SFr2.4825) and to Y236.50 (Y236.0). The pound's exchange rate index closed at 73.2. Page 39

VAN OMMEREN, Dutch shipping and storage group, plans to make a friendly takeover bid for Ceteco, Amsterdam trading company, in a deal estimated to cost around Fl 200m ($96m). Page 32

CHINESE ESTATES, Hong Kong property and investment group controlled by Mr Joseph Lau, yesterday announced plans for a rights issue intended to raise HK$3bn (US$384.6m). Page 26

LONDON and Edinburgh Trust managing director Peter Beckwith said Agifel Properties, 67 per cent held by the company, willbe looking for property acquisitions in Hong Kong and elsewhere in the Far East. Page 26

COMPAQ COMPUTER, US computer group, today launches what it claims is the fastest and most powerful personal computer available in the world. Page 26

UNITED OVERSEAS Bank has developed a new index to reflect performance of the stocks listed on the Stock Exchange of Singapore Dealing and Automated Quotation System (Sesdaq). Page 30

MALAYSIAN International Shipping which obtained a public listing on the Kuala Lumpur exchange early this year, said it was on target to achieve a projected after-tax profit of 245m ringgit ($98m) for 1987. Page 30

Persistent interest rate worries cloud optimism on dollar

BY PHILIP STEPHENS IN WASHINGTON AND JANET BUSH IN LONDON

CENTRAL BANKERS and finance ministers meeting in the Group of Seven leading industrial nations in Washington yesterday continued to voice concern about the recent upward trend in interest rates.

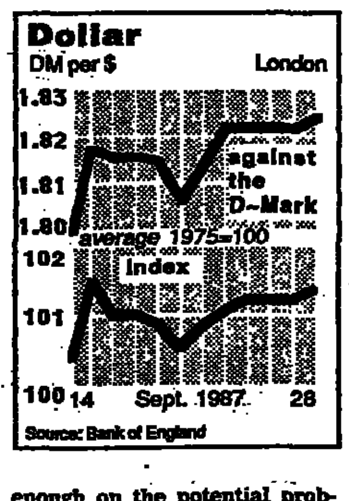
But they welcomed a calm response in markets so far to the agreement by the Group of Seven at the weekend to reaffirm their commitment to continued exchange rate stability.

On foreign exchange markets, the dollar traded in a very tight range in dull business as dealers digested the contents of the weekend communique. The initial conclusion at least was that the Washington meetings had added little new information and few concrete proposals.

The consensus view yesterday appeared to be that the dollar should hold steady in the short term but worries about persistent global trade imbalances would exert downward pressure on the currency in the longer-term.

In Washington, Mr Karl Otto Poehl, president of West Germany's Bundesbank, said that rising long-term interest rates put a question mark over an otherwise brightening outlook for the world economy.

European monetary officials said that some central banks were concerned that finance ministers had not focused enough on the potential problems of holding exchange rates if the upward shift in borrowing costs continued.



They added that the issue was discussed separately by the central banks at a meeting of the Group of 10 nations, chaired by Mr Poehl.

The recent stability of the dollar has to a large extent depended on widening interest rate differentials between the US and the rest of the world, which has made US investments more attractive. Rising market rates in West Germany and Japan threaten to erode that differential.

"The US (Federal Reserve) is not prepared to push up its rates, so the question is to what extent others can keep their rates down," one central bank official commented.

Mr Satoshi Sumita, governor of the Bank of Japan, said at the weekend that he had no plans to raise the Japanese discount rate. He added, however, that he had little control over market pressures.

The dollar was given an initial fillip yesterday by news that the seven had not lowered the unpublished currency ranges set at the Louvre accord in February and by President Reagan's announcement that he would sign legislation to reduce the US budget deficit.

These mildly positive points were, however, balanced by the International Monetary Fund's pessimistic view of the US current account deficit which, it projected, could remain at its current level of $150bn in 1991. One US bank dealer said this projection served to underline the scale of the problem facing the leading industrial nations.

The dollar closed yesterday only a little higher than its pre-weekend close in Europe at DM1.8250 compared with Friday's closing DM1.8205 and at Y144.10 after Y143.65.

Avis acquired by workers in buy-out worth $1.75bn

BY ANATOLE KALETSKY IN NEW YORK

AVIS, the second biggest car rental company in the US, was yesterday acquired by its employees for $1.75bn, in what is probably the largest worker buy-out ever attempted.

For Avis, whose owners have proved almost as transient as the customers who rent its cars, this will be the 11th change of ownership since it was founded in 1946 and the fifth within the last four years.

The company's 11,000 employees will ultimately own 85 per cent of Avis, with stakes roughly proportional to their present salaries, through an Employee Stock Ownership Plan (Esop), a highly tax-advantaged financial device which has become increasingly popular in the US as a means of spreading worker shareholding and sometimes achieving corporate control.

For the next few years, however, the real owners of the company's assets will be the financial institutions, led by Drexel Burnham Lambert, Irving Trust and General Motors Acceptance Corporation, which have put up $1.65bn in debt financing to enable the employees to buy the company without putting in any equity of their own.

Under the Esop arrangement, the employee trust will repay the company's debts over a period of 20 to 25 years out of tax-deductible contributions made by the company on behalf of its employees.

The small equity base for the transaction will be provided by $135m in preferred stock, which will be bought by Avis's most recent owners, Wesray Capital Corporation. This is a leveraged buy-out firm controlled by Mr William Simon, a former US Treasury Secretary.

For Wesray the Avis sale comes as the culmination of a busy and very profitable year of deal-making. Mr Simon and his partners look like netting about $500m in profit on an acquisition which has tied up just $265m of Wesray's cash - and that only for a few months.

Wesray bought Avis in July last year for $265m in cash plus the assumption of $1.34bn in debt from Kohlberg Kravis and Roberts, another big leveraged buy-out firm which had recently acquired Avis' previous owners, Beatrice Foods.

Within months Wesray disposed of PHH, a leasing subsidiary of Avis, for $280m in cash and debt assumption. Then, last October, it floated 65 per cent of Avis's European, Middle Eastern and African operations on the London Stock Exchange, raising a further $290m. The new employee-owned Avis plans to raise a further $255m by selling most of its remaining 35 per cent stake through a Euroconvertible issue.

Salomon juggles shareholders as part of strategic overhaul

BY RODERICK ORAM IN NEW YORK

SALOMON, parent company of Wall Street's largest firm, has arranged a series of stock transactions to replace Minerals and Resources Corporation (Minorco) as its single largest shareholder with Mr Warren Buffett, a renowned US investor with a reputation for spotting undervalued stocks.

Minorco, a Bermuda-based investment company controlled by Mr Harry Oppenheimer, the leading South African mining industrialist, had recently expressed interest in selling its 14 per cent stake in Salomon so that it could focus on natural resources.

Salomon's management moved swiftly to arrange the deal because the prospect of Minorco selling shares on the open market might have further eroded Salomon's stock price. Like those of other Wall Street firms, it was already depressed by a squeeze on profits as the securities industry adjusts to intense competition, rising costs and volatile markets.

Salomon has been weathering trying conditions for the past year or so. Its earnings have been hit hard, for example, by the cost of increasing its staff by 40 per cent last year to 8,000 to meet new opportunities in London and Tokyo.

Its senior management is due to complete next month a far-ranging strategic review which could bring some wrenching changes for the firm.

Against this background, Mr Buffett, who is based in Omaha, Nebraska, appears to have driven the type of shrewd bargain which has marked his career over the past 30 years. The investment will be made by Berkshire Hathaway, Mr Buffett's main corporate vehicle.

Mr John Gutfreund, Salomon's chairman, said: "Warren Buffett is one of the world's most successful investors and business advisers. We have long had mutual business interests and he and I have from time to time discussed an investment by Berkshire Hathaway in Salomon. The withdrawal of Minorco from our company seemed to both of us a good opportunity to bring this to pass." In the first step of the deal, Salomon will pay Minorco $38 a share, or $809m, for the 21.3m Salomon shares held by the resources group. It acquired them in 1981 when Phibro, the US commodities trader in which it had a large stake, merged with Salomon. Minorco had already sold some 16m Salomon shares on the open market over the past few years.

In the second step, Salomon will sell to Berkshire Hathaway $700m of a new issue of preferred shares carrying about 12 per cent of Salomon shareholders' voting power. The new shares will pay a 9 per cent dividend and will be convertible after three years into Salomon common stock at $38 a share.

Salomon's shares jumped $2⅞ to $34⅞ by early yesterday afternoon in heavy trading. They remained, however, well below their 12-month high of $44¾.

Mr Buffett, who has agreed not to increase his stake beyond 20 per cent in the next seven years, could play an influential role. He will join Salomon's board but will only vote his shares in line with the recommendation of the other directors as long as Mr Gutfreund, or another person acceptable to Mr Buffett, is chief executive.

UK Labour Party goes for change in bid to win votes

By Michael Cassell in Brighton

BRITAIN'S opposition Labour Party, looking for a way to reclaim power in the 1990's, yesterday overwhelmingly backed measures for a far-reaching policy reappraisal and major constitutional changes aimed at selecting candidates for parliament in a more democratic way.

The moves, on the first day of the party's annual conference in the southern resort of Brighton, are part of an inquest into the election defeat last June in which Mrs Margaret Thatcher, the Prime Minister, won her third term in office.

The decision was greeted with relief by the leadership, which sees the move as a critical element in the post-election plan to further democratise the party, broaden its electoral appeal and boost membership.

After a heated debate delegates voted against leaving selection up to the party's local management committees, which the leadership claims can be highly unrepresentative of members' wishes, but went on to reject the principle of one member one vote throughout the party.

Instead, the conference backed - by nearly four to one - the establishment of local electoral colleges.

The new structure, which will not take effect for another 15 months, is designed to preserve an important, though reduced, role in the selection process for the trade unions, which will retain up to 40 per cent of the votes.

Opinion polls published on the eve of the conference showed that voters regard Labour as too influenced by the unions.

The party was also seen as internally divided, lacking direction, promoting economic plans that would mean higher taxes and taking an unpopular anti-nuclear stance.

The leadership's call for a wider voting base came despite serious misgivings among some unions and leading Labour figures about the practical difficulties of operating an electoral college system.

In his major conference address, Mr Neil Kinnock, the party leader, will set out the terms of the review, describing it as "candid, thorough and excluding nothing" including defence. Several delegates yesterday charged the leadership with pressing the issue too quickly after the party's election defeat and risking the adoption of constitutional changes which would prove unworkable.

Mr John Evans, the MP for St

Continued on Page 26

Shultz to visit Israel in new peace attempt

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

MR GEORGE SHULTZ, the US Secretary of State, is to visit Israel in the second half of next month in a fresh bid to break the deadlock in the Middle East peace process.

The State Department in Washington announced yesterday that Mr Shultz, who it said had not made a full official trip to the Middle East since 1983, would be in Israel on October 18, and may also visit Jordan and Egypt before going to Moscow, as previously announced, on October 22.

In practice, the Shultz talks are bound to focus on the issue of a proposed international conference on the Arab-Israeli conflict, involving the five permanent members of the United Nations Security Council and Israel's immediate neighbours.

The Secretary of State's trip is bound to raise hopes of a new American attempt to persuade Israeli opponents of a conference to reconsider their position, and follows mounting pressure from some US Jewish groups for an American initiative.

The conference idea is backed by Jordan, Egypt and Mr Shimon Peres, the Foreign Minister in Israel's coalition Government who believes it should serve as a prelude to direct bilateral negotiations with Jordan's King Hussein over the status of the Israeli-occupied West Bank and Gaza Strip. But it is adamantly opposed by Mr Yitzhak Shamir, the country's right-wing Prime Minister, who believes it would simply be a pretext for international pressure on Israel to make territorial concessions.

Senior US officials argue that the hostility of Mr Shamir's Likud bloc is now the single most important obstacle to setting up a conference. The Prime Minister and his allies have prevented any cabinet decision on a conference.

American diplomats also acknowledge that time is running short if there is to be any progress ahead of next year's US presidential elections. Washington is widely seen as the only party that can secure movement in view of its strong links with Israel, but the Reagan Administration has only slowly come round to supporting the conference idea, and it has hitherto been most reluctant to intervene on behalf of Mr Peres.

The Foreign Minister, who handed over the premiership to Mr Shamir last year for the second half of the coalition Government's term, has staked his entire career on the conference issue, and prominent US Jewish lobbyists report that he has been sending out increasingly loud signals of distress.

UK minesweepers ordered to Dubai

BY DAVID BUCHAN AND ANDREW GOWERS IN LONDON

BRITAIN last night ordered its four Gulf minesweepers, with a frigate escort, through the Strait of Hormuz to help dispose of newly discovered mines in a key shipping channel off Dubai following an American request for assistance.

The UK Ministry of Defence said the dispatch of the four 615-tonne minesweepers to the Dubai area was in line with established operating instructions for the Royal Navy's Armilla patrol, which since the 1980 start of the Iran-Iraq war has patrolled the Gulf south of Bahrain.

But the move appeared to bring Britain closer towards open co-operation with the controversial US naval task force in the region. Formally co-ordinated Western action to clear apparently Iranian-laid mines from the Gulf has been advocated by the US but resisted by European countries. Britain denied that such a joint effort was imminent when it and France decided to send minesweepers to the region on August 11.

UK help with sweeping the mines off Dubai was yesterday specifically requested by the US naval commanders in the region, who despite a minor armada of some 30 warships in and around the Gulf currently lack minesweeping vessels.

In another development, Britain is also putting discreet pressure on other European countries - in particular West Germany - not to allow Iran to move its London arms procurement operations to their territory following Britain's decision to close Tehran's important UK arms buying offices last week.

Meanwhile, the UN Security Council was yesterday struggling to maintain its twin-track effort to end the Gulf war following Iran's restatement of a hardline position at the weekend. As Iraq claimed to have hit another Iranian ship off the oil loading terminal of Kharg is-

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CONTENTS

CRISIS OF LEFT LEAVES POLITICAL VACUUM IN EGYPT

President Hosni Mubarak has prevented emergence of a new Nasserite party, Page 8

EC unblocks long-delayed research funds

BY WILLIAM DAWKINS IN BRUSSELS

THE long-running deadlock over the financing of joint research in the European Community formally ended yesterday, thereby unblocking Ecu 5.2bn (£3.6bn) of spending on technology collaboration over the next five years.

The accord, rubber-stamped by a meeting of the Community's 12 research ministers, is based on a compromise worked out in July between Denmark—the current president of the Council of Ministers—the European Commission and Britain.

It contains important conditions designed to meet the objections of Britain, which had been the *only* member state to refuse to accept a *scaled-down version of the* Commission's original ambitious research budget, first tabled *nearly 18 months ago.*

But even yesterday, there remained doubts as to how strictly one of the British conditions would be enforced. At London's insistence, Ecu 417m will be held out of the programme until there is clear evidence of progress on setting up practical spending controls for the entire EC budget. The Commission and the other 11 member states were yesterday insisting that the cash should be released *in* any event by the end of the year, while Britain stuck to its demands that budget *control must come first.*

"Expenditure on research cannot be separated from the overall question of total resources available and the disciplined *identification of priorities* for their allocation," said Mr Kenneth Clarke, UK Industry *Minister.*

However, Mr Bertel Haarder, the Danish Education and Research *Minis*er *chairing* the meeting, hoped that the final Ecu 417m could be unblocked at December's Copenhagen summit, where EC leaders will try to agree on outline budget curbing proposals. The UK has also insisted that a so-called "tail" of an additional Ecu 863m will be delayed until after the programme expires at the end of 1991, representing an estimate for projects given the go-ahead before that date, but due to run on after the programme's formal end.

Yesterday's agreement means member states can now give the go-ahead for individual spend*ing lines in the framework pro*gramme, which includes advanced telecommunications, *biotechnology, nuclear safety* and information technology among its main projects. It ends months of uncertainty *for* research workers

As a mark of this urgency, member states gave the provisional green light yesterday for three collaborative schemes. They include the main phase of the Race project in advanced telecommunications, which completed its definition stage at the end of last year and is now to get Ecu 550m to carry it through to May 1992. This will fund standardisation work and co-operative research for integrated services digital networks and integrated broad band communications — essentially updating telephone networks to *carry* larger volumes *of* more sophisticated information faster and cheaper than at present.

Also given the *go-ahead* yesterday was an Ecu 65m project into medical research, including cures for AIDS and cancer, and an Ecu 80m project for research for developing countries in areas like crop protection and tropical disease. The funding cannot be disbursed immediately.

Brussels plan to cut cash for joint research centres

BY WILLIAM DAWKINS

THE EUROPEAN Commission is drawing up plans to force the EC's much criticised joint research centres to fund a major part of their own work.

Mr Karl-Heinz Narjes, Commissioner responsible for technology, told a meeting of research ministers yesterday that Brussels was planning to cut the four establishments' near total dependence on EC *funding so that* by 1990 only 60 per cent of their needs came from the Community's budget. The balance would come from contract research with private companies and national government agencies.

The centres, based at Ispra in northern Italy, Petten in the Netherlands, Geel in Belgium, and *Karlsruhe in West* Germany, are expected to cost the Community Ecu 100m (£70m) annually for the next five years, *10 per cent of the Community's* total research framework programme.

Ispra, which takes roughly three-quarters of the centres' budget, was accused of being mismanaged and out of touch *with reality in an independent* report commissioned earlier this year by the Brussels authorities.

Established in the mid-1950s, *Ispra conducts* research into nuclear safety, solar energy, reactor design, among other sub*jects and has found itself* overtaken by national efforts in many of those areas. The other three came *in for less criticism* in the report and are more specialised, confining their work to nuclear *fuel analysis* and materials testing.

The surprisingly frank admission by Mr Narjes of Ispra's shortcomings were seen in Brus*sels as an attempt to gain* the initiative in the inevitable reforms the centre *faces.* Mr Jacques Delors, the Commission *president*, is understood to be extremely keen to have a shake-up at Ispra on the grounds that *it is important for Brussels to* be seen to take a critical look at a weak area of research spending at a time when the whole EC budget is under unprecedented strain.

Mr Narjes suggested that all the centres should be split into six accounting centres by research subject. Staff levels *should* stay at *around* the present 2,260, but recruitment should be more discriminating.

Member states were yester*day unanimous on the need to* make Ispra more accountable, even including its host country, Italy. *In* a *further* mark of growing concern about the centre, Lord Plumb, president of the European Parliament, yesterday issued the assembly's strongest ever criticism of Ispra. In a letter to the Research Council, he promised "to participate in a root and branch reform of the centre, with the overall objective of *making it . . . more cost effective* and market oriented."

Moscow dusts off early economic theories

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has rehabilitated Alexander Chayanov, one of the most pro*minent* Soviet economists opposed to the abrupt collectivisation of agriculture under *Stalin, who* was shot *in* 1939.

His rehabilitation, together with that of other prominent economists of the 1920s such as Nikolai Kondratiev, is evidence of renewed *interest among* senior Soviet academics and economic advisers here in the ideas of economists who put forward alternative programmes to that adopted in 1929 by Stalin.

Chayanov in particular believed *that* agriculture based on peasant small-holdings could be transformed and modernised —not by expropriation by the state *as Stalin* ultimately decided—but by the introduction of co-operative type farming.

He also argued that large *farms did not produce* economies of scale in all agricultural sectors, but the optimum size of farms varied according to the type of crop cultivated.

Given that Mr Mikhail Gorbachev, the Soviet leader, has advocated the establishment of *family farms* within the context of the vast state and collective farms which control Soviet agri*culture, Chayanov's theories* have obvious contemporary relevance.

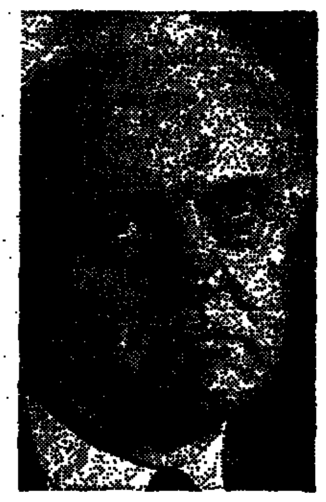
The rehabilitation of he and others arrested in 1930 is part of the growing debate in Moscow over the degree to which economic policies adopted in the late 1920s need to be reversed.

This in turn has led to a re-examination of the so-called New Economic Policy in the 1920s under which the peasantry were allowed to grow and trade their crops for profit. Nikolai Bukharin, the main advocate *of* this policy in the Soviet leadership after the death of Lenin, is expected to be *rehabilitated* in the near future.

The *importance* of the economists' posthumous rehabilitation is taken as a sign that ideas once condemned are now respectable again and furthermore, allows their works to be published in the Soviet Union.

The extinction of Chayanov, *Kondratiev and 13 other senior* economists arrested and given a show trial in 1930 meant that alternative schemes to Stalin's for the rapid industrialisation from library shelves. The of the Soviet Union disappeared official policy remains that col*lectivisation* and the speed of the first five-year-plan were necessary, however regrettable the excesses *involved.*

Nikolai Koudratier, best *known in the West for* his theory of economic cycles or waves, has less immediate relevance to current economic debates, but his works are also likely to be republished.



Shevardnadze: visit set for November

Soviet minister for Bonn

By David Marsh in Bonn

THE Soviet Foreign Minister, Mr Eduard Shevardnadze, is likely to visit Bonn in the second half of November as a prelude to a trip here by Mr Mikhail Gorbachev, the Soviet leader, in the first half of 1988, West German officials *said yesterday.*

The prospective trip by Mr Shevardnadze, which has been under discussion for several months, was agreed during his talks with Mr Hans-Dietrich Genscher, the West German Foreign Minister, at the United *Nations* last week.

After a period of distinctly cool relations with the Federal Republic at the end of *last* year, the Soviet Union is now clearly giving priority to winning over West German public opinion in a bid to push further the nuclear disarmament process.

Mr Gencsher said yesterday in Bonn that he was sure the US and *Soviet Union wanted to* build on their agreement in principle to eliminate medium-range nuclear missiles. *Following* his talks in New York with both Mr Shevardnadze and Mr George Shultz, the US Secretary of State, Mr Genscher told leaders of the Free Democratic Party that the superpowers now were aiming for an agreement on *50 per cent cuts in intercontinental* nuclear arsenals.

The exact date of the Soviet minister's journey to Bonn *will* depend on the planned summit between Mr Gorbachev and President Ronald Reagan.

Steel *mill offer*

East Germany has offered help to a bankrupt West German steel mill where about 3,500 jobs are at risk, Bavarian officials told Reuter in Munich. They said that Bavaria's Economy Ministry was examining a *proposal under which* the Elsenwerk-Gesellschaft Maximilianshuette (Maxhuette) mill would receive *scrap metal from* East Germany in exchange for steel.

Optimism grows at troop cut discussions

By Judy Dempsey in Vienna

NATO AND the Warsaw Pact agreed yesterday to begin work on drafting a joint mandate aimed at reducing conventional forces in Europe. The decision was made as both sides resumed a fresh round of informal negotia*tions in Vienna.*

During the talks, which began in February and are taking place within the framework of the Conference on Security and Co-operation in Europe (CSCE) review meeting, the Warsaw Pact countries responded to proposals which Nato presented on July 7.

"The reaction was very positive. There are points of convergence and points of *disagreement,*" a *Western* diplomat attending hte talks said. "But both sides are ready and willing to sit down and work on a draft."

The optimism is due largely to the meetings held in Washington earlier in the month between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the *Soviet Foreign Minister. During* the talks, they agreed in principle on an intermediate nuclear forces (*INF*) treaty.

"*It* is also because both sides in Vienna have put their ideas on the table about how they see a new set of conventional arms talks taking shape," a diplomat commented.

Nato and Warsaw Pact diplomats involved in the informal negotiations openly acknowledge *that one of the* main sticking points centres on tactical nuclear weapons.

In its draft plan tabled on June 22, the Warsaw Pact included a suggestion that short-range nuclear weapons and some tactical aviation *systems* should be covered by the negotiations. "This will be one of the most difficult *areas to* reach agreement on," a Western diplomat argued. Nato, in its draft framework on conventional stability, proposed that the new negotiations should focus only on conventional weapons.

Disagreement also exists in relation to the zone under discussion. Nato and the Warsaw Pact have each proposed a *zoneranging from the Atlantic* to the Urals, a region which Mr Mikhail Gorbachev, the Soviet leader, defined in his Budapest appeal of June 1986. It is the precise geographical definition of the region on which both sides, for the moment, disagree.

If the talks succeed in drawing up a joint mandate which *must be* agreed upon by the CSCE, it will mean the eventual phasing out of the deadlocked Mutual and Balanced Force Reduction (MBFR) talks which have been meeting in Vienna

Schleswig Holstein tremors shake coalition in Bonn

A 'dirty tricks' scandal in the state is straining relations in Chancellor Kohl's government, writes **David Marsh**

"ONLY THREE people," Lord Palmerston once said, have ever understood the *Schleswig Holstein* problem. The Prince Consort: he is dead. A German professor: he is mad. And myself, and I have forgotten it."

The current political difficulties besetting West Germany's northernmost state, for all their improbable complexity, look *likely, however, to remain* in the memories of the country's leading politicians for months to come.

Friday's forced resignation over a "dirty tricks" election scandal of Mr Uwe Barschel, *the Schleswig Holstein* Prime Minister, has set off a chain reaction which seems certain to *undermine further the cohesive*ness of Chancellor Helmut Kohl's coalition Government.

It could exacerbate tensions between the two conservative parties in the Bonn *coalition* and the junior Free Democratic Party (FDP). The latter's unwillingness to stand by Mr Barschel *in* Schleswig Holstein was one of the factors prompting his sudden decision, after a fortnight of denying any wrongdoing, to take *responsibility* after all for electoral misdoings which he allegedly orchestrated.

The Conservative partners, Mr Kohl's Christian Democratic *Union (CDU) and the Bavarian* Christian Social Union (CSU) led by Mr Franz Josef Strauss, are, however, themselves already badly split about a variety of questions ranging from nuclear disarmament and law and order to measures to *combat Aids.*

A much-awaited round of talks in Bonn on Saturday between Mr Kohl and Mr Strauss, accompanied by other senior *CDU* and *CSU figures,* failed to clear the air. Another gathering has been scheduled for next weekend.

Meanwhile, in Kiel, the state *capital,* another round *of talks* got under way yesterday between the CDU and the FDP on trying to put together a coalition government in Schles*wig* Holstein.

Following Mr Barschel's resignation over a scandal involving a smear campaign before the state's election earlier this *month, the future make-up of* the state government is now subject to a bewildering array of political permutations.

Mr Gerhard Stoltenberg, the *Bonn Finance Minister and CDU* chairman in Schleswig Holstein, who flew back early on Sunday from the IMF meeting in Washington to lead yesterday's Kiel talks, is trying to avoid new elections in the state, in which the CDU would almost certainly do badly.

But Mr Barschel's demise has clearly increased the chances that the opposition Social Demo*cratic Party* (SPD), *now the* largest grouping in the state parliament after the September *13 elections, will one* way or another—either through a new poll and/or a coalition with the FDP—eventually come to power there.

In the ever-more-federal West German system, where decision-making in Bonn has become increasingly a *hostage of* political minutiae in the regions, that add to Mr Kohl's headaches for two reasons.

It would remove the CDU's current *majority* in *the* Upper House of Parliament (Federal Council) or Bundesrat, which has a veto over important legislation, including the Government's much-contested tax reform plans. And any *SPD-*FDP alliance in Schleswig Holstein would fuel the feeling that *the* CDU-CSU-FDP coalition in Bonn might eventually also be heading for the rocks.

It is worth recalling that the two changes of governing party in the Federal Republic — in 1969 and 1982 — have been forced by changes *of* coalitions (involving decisions by the FDP) rather than by elections.

All that might be a long way down the political road. Meanwhile, the immediate impact of the Kiel scandal, the latest in a series of dubious political *affairs in recent years, will be* to lower further West German public confidence in their politicians.

Mr Werner Holzer, the editor *of the left-leaning Frankfurter* Rundschau newspaper, in an editorial on Saturday, summed up the feeling of many ordinary people when he criticised Mr Barschel's reluctance to take responsibility immediately for th scandal. In London or *Washington,* a *politician* responsible for such an affair would not have had to be "sawn away laboriously from his chair," Mr Holzer wrote. "But with us, good democratic style is still a rarity."

Belgrade calls for debt talks

BY ALEXANDAR LEBL IN BELGRADE

YUGOSLAVIA has proposed negotiations with both government and commercial bank creditors next month over the "*reconstruction*" of the country's foreign debt, according to Mr Slobodan Stanjevic, deputy governor of the national bank.

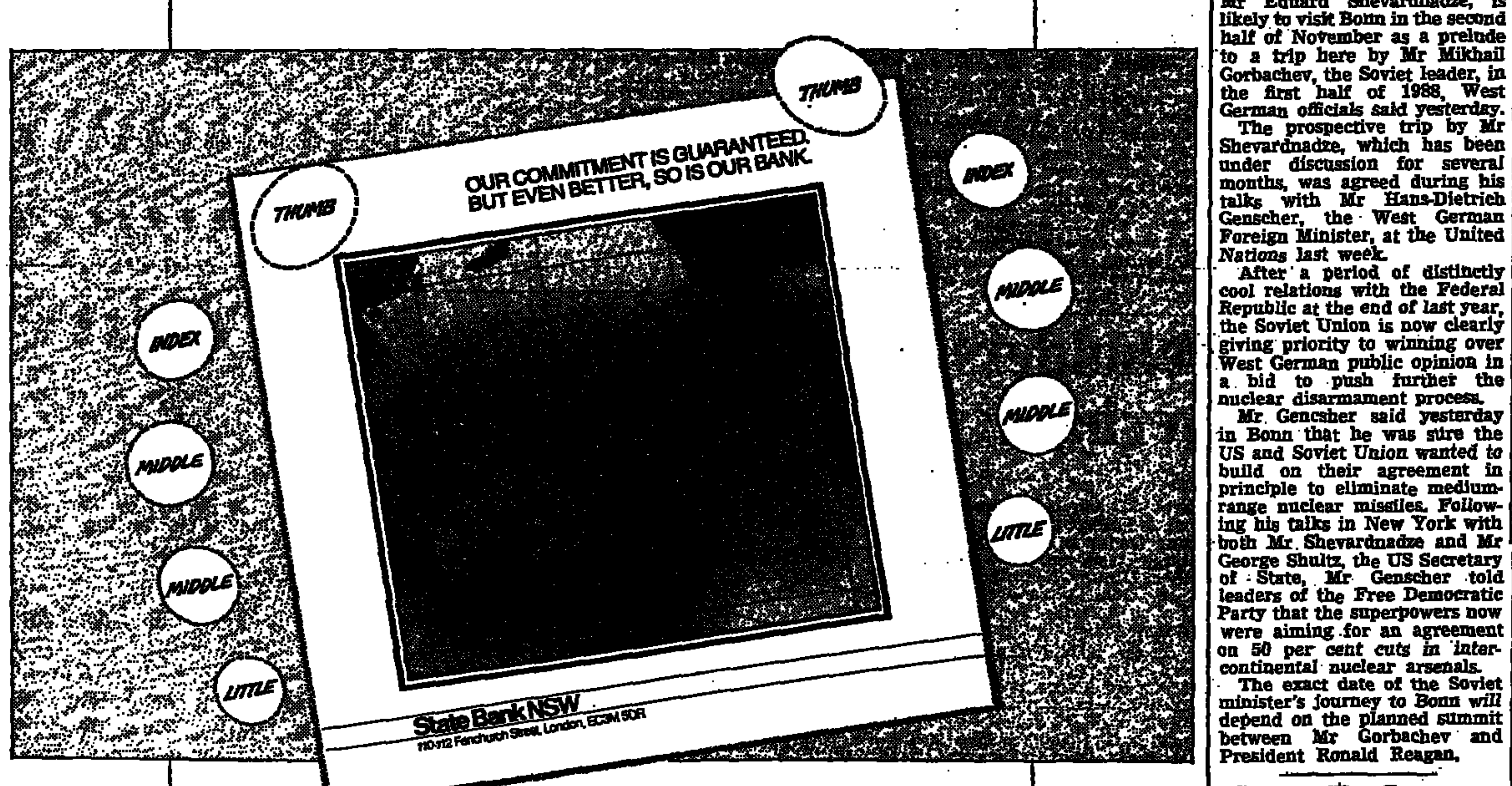
He described the main features of the programme, to be submitted soon to the federal Parliament, as "maintaining external liquidity *while assur*ing necessary economic growth, and more stable functioning of *the economy with a reduced rate* of inflation and moderate repayments of external debt."

The Government is under*stood to want a link between* debt servicing and economic growth. Debt servicing, which accounts for well over 40 per cent of foreign exchange earnings, should be reduced to some 25 per cent.

Yugoslavia is also expected to request some new money in the restructuring and consider a programme of debt for equity *swaps. It wants debt repay*ments to be spread out, grace periods extended, and interest rate margins lowered.

An International Monetary Fund mission was acquainted with the basic strategy in in*formal talks during a visit* to Belgrade between September 14 and 18. Further informal talks with creditors were scheduled to take place this week at the IMF/World Bank meetings

Commercial bank creditors were asked last week for a de*lay until the year-end on* principal repayments while debt rescheduling talks are held. *The* banks, led by Manufac turers Hanover, had already agreed a 90-day delay for principal repayments due last June and July, amounting to about $245m.



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Pay rise curbs anger Spain's Socialist union

BY TOM BURNS IN MADRID

THE RIFT between Spain's governing Socialist party and its "fraternal" trade union, the Union General de Trabajadores (UGT), has widened further following the decision by the Economy Minister, Mr Carlos Solchaga, to restrict pensions and public sector wage increases to 4 per cent next year.

The salary increase ceiling, contained in 1988 the budget which Mr Solchaga will present to Parliament for debate next month, has prompted a chorus of protests, led by the UGT's veteran leader, Mr Nicholas Redondo, that set the stage for a renewal of the industrial dispute which wracked Spain in the first quarter of this year.

A further challenge to the pragmatic-style socialism of Mr Felipe Gonzalez, the Prime Minister, emerged over the weekend as a caucus of left-wingers began to prepare its response to plans by the party leadership to moderate the ideological tenets of the Partido Socialista Obrero Espanol (PSOE) when it holds its three yearly congress early next year.

Grouped as the "Socialist left," the caucus has taken issue with a congress motion drawn up by the party leadership which proposes to drop the PSOE's self-definition as the party of the working clas in favour of an all-embracing concept that will reflect its 'progressive" standpoints.

With four months to go before the congress, the debate could turn out to be as bitter as one which took place in 1979 when Mr Gonzalez threatened to withdraw from politics if the party did not agree to forgo its Marxist label.

The all-too evident confrontation between Mr Redondo's UGT and the economic policies pursued by Mr Gonzalez's government reflects a mounting disillusionment on the part of the trade union leaders over the drift of the PSOE in power. Mr Redondo has for some time scarcely hidden his belief that the Government has "betrayed" socialism and the budget proposals have confirmed his opinions.

The UGT was at the centre of the strike movement earlier this year when it called for 7 per cent salary increases against the 5 per cent recommended by the Government. Next year Mr Redondo is seeking wage rises of in the region of 6 per cent as well as greater budget allocations for the unemployed.

Yesterday Mr Redondo was reportedly considering voting against the budget when it is debated next month, as well as urging other prominent trade unionists who hold Socialist seats in Parliament to do likewise.

Bush praises example of murdered Solidarity priest

VICE-PRESIDENT George Bush of the US, accompanied by the Solidarity leader Mr Lech Walesa, yesterday laid a wreath *on the grave of a murdered* pro-Solidarity priest and urged Poles to carry on the priest's struggle "to overcome evil with *good*," *Reuter reports from* Warsaw.

The tribute to Father Jerzy Popieluszko—an emotional high-*point of Mr Bush's four-day visit* to Poland—came at St Stanislaw Kostka church where the priest is buried. Fr Popieluszko, at times *an outspoken critic of* Communism, was kidnapped and murdered by Polish security police in 1984.

"*His voice rang like a bell throughout* this land and he must not be forgotten," said Mr Bush. "Here at the church where he lived, worked and prayed, let us pledge to carry on his quest to 'overcome evil with good,'" he added, quoting a Biblical phrase often used by Fr Popieluszko.

The priest's aged parents, Marianna and Wladislaw, stood *at Mr Bush's side* as he spoke. A small crowd in the churchyard had earlier greeted the Vice-President with chants of: "No freedom without Solidarity."

As Mr Bush laid a wreath adorned with flowers and tiny US flags on Mr Popieluszko's grave, he pulled a *Solidarity* flag the size of a large handkerchief from his pocket and placed it on top of the wreath. Later, with Mr Walesa at his side, Mr Bush flashed a V-sign *in support of the banned trade* union.

Several thousand people had turned out at the church to *greet him despite the sombre*, chilly weather. They chanted: "We want Lech not Wojciech" —a reference to Polish Com-*munist leader General Wojciech* Jaruzelski.

US officials told reporters following Mr Bush's meeting with Gen Jaruzelski on Sunday that the Polish leader had rebuffed his plea to recognise Solidarity. The officials, who asked not to be identified, said the Polish leader told Mr Bush it would be suicidal for the Government to do so because Solidarity's aims were incompatible with the economic reforms the Government was trying to steer through.

However the veteran Polish dissident Mr Jacek Kuron, present for the ceremony yesterday, said *conditions had* improved since Solidarity was banned under martial law in 1981. "At least part of the *Government* has begun *to under*-stand that without some changes it cannot rule Poland," he said.

He referred to the authorities release of all officially acknowledged political prisoners under amnesty last year.

Mr Walesa, enthusiastic after *his talks with Mr Bush on Sun*-day night, was overheard telling the Vice President at the church on Monday: "Why don't you stay here and run for election?"

Swiss delay extradition of Gelli to Italy

SWITZERLAND WILL not extradite Italian fugitive Licio Gelli immediately, despite the eagerness of the Geneva authorities to hand him over to Italy, the Swiss Justice Minister, Ms Elisabeth Kopp, said yesterday. Reuter reports from Geneva.

Gelli turned himself in to a judge in Geneva last Monday after evading an international manhunt for four years. He faces charges of corruption and assisting in his own escape from the city's Champ-Dollon maximum security prison in 1983 during extradition proceedings against him.

Geneva's administration formally asked the federal government last week to send him immediately to Italy, where he faces charges of fraud, bankruptcy and complicity in the 1980 Bologna railway station bombing which killed 85 people people. However, Ms Kopp responded that the decision taken in 1983—shortly after his escape—to extradite Gelli to Italy still *stood*. But it would have to wait until Geneva's prosecutor-general finished his criminal investigation.

She said that Switzerland in any case entitled to defer the extradition until he had served his time. Gelli was grand master of the secret P-2 masonic lodge, whose discovery in 1981 caused the collapse of the Italian government.

Goria visits Bonn

Mr Giovanni Goria, the Italian Prime Minister, arrived in West Germany yesterday for talks with Chancellor Helmut Kohl expected to focus on the Gulf conflict and East-West relations, Reuter reports from Bonn. Mr Goria and Mr Kohl, both Christian Democrats, also planned to discuss the next European Community summit in December as well as bilateral matters.

Martens' stock rises

Belgium's governing centre-right coalition has notched its highest popularity level in two years despite a bitter linguistic *dispute*, an *opinion* poll published yesterday showed. Reuters reports from Brussels. Forty-one per cent of Belgians *polled by the daily La Libre* Belgique expressed confidence in Prime Minister Wilfried Martens' government — the *highest proportion since* just after its 1985 election victory. Thirty-eight per cent lacked confidence in the government which is grappling with a dispute involving a French-speaking mayor who refuses to take an examination in Dutch.

Danish N-protest

Dockworkers stopped work in Copenhagen harbour yesterday protesting that a visiting US warship might be carrying nuclear weapons in breach of Danish Government policy, Reuter reports from Copenhagen.

The destroyer USS Hayler, accompanied by the frigate USS Aubrey Fitch, was met by demonstrators when it arrived on Sunday in connection with the Nato exercise "Baltic Operation." Denmark,

Widow denies Casey made Contra arms confession

BY LIONEL BARBER IN WASHINGTON

THE widow of Mr William Casey, the former Central Intelligence Agency director, has become embroiled in a row over whether Mr Bob Woodward, the Watergate reporter, obtained a death-bed confession from her husband on his role in the Iran-Contra affair.

Mrs Sophia Casey described Mr Woodward's account of a covert visit this year to the spy chief, in hospital, as "lies." Mr Woodward stood by his story yesterday, and so earned more publicity for his forthcoming book, Veil, billed as the inside guide to Mr Casey's years at the CIA, from 1981-87.

The book by Mr Woodward, who helped bring down President Richard Nixon over his role in Watergate, is his fifth since All The President's Men. Veil is not due to come out until October 9 but front-page instalments in the Washington Post, and Newsweek, plus syndicated extracts and a slot in CBS's prime-time programme Sixty Minutes are likely to lift the book into the Top Ten Best Sellers' list. There has been a first print-run of 500,000 by publishers Simon Shuster, and a $1m-plus advance for Mr Woodward.

It is still unclear, however, whether the book discloses sufficient new and controversial material to have a lasting political impact

Mr Woodward claims in his book that Mr Casey confessed that he knew about the diversion of funds from secret US arms sales to Iran to the Nicaraguan Contra rebels during a 1984-86 Congressional ban on US military aid. By his account, Mr Woodward evaded CIA security and visited Mr Casey, who had brain cancer. During a four-minute conversation, he asked Mr Casey why he authorised the controversial diversion. "I believed," the spy chief whispered.

These enigmatic last words are not sufficient proof that Mr Casey played a key role in Iran-Contra. They are unlikely to influence the content of the Congressional report into the affair, which is also expected to be published next month.

The book's other main disclosure concerns Mr Casey's role in the attempted assassination of Sheikh Fadlallah, leader of the Hizbollah militant Shia faction, who had been linked to three bombings of American locations in Beirut.

A CIA-trained unit detonated a car bomb in March 1985 which killed 80 people, and the operation was plotted by Mr Casey and Prince Bandar, Saudi Ambassador to the US, the book claims.

Mrs Casey, it seems, is more unhappy about the book's account of her husband's relationship with President Reagan. Over the weekend, she called reports that the CIA chief criticised Mr Reagan as lazy and distracted as "absolute blasphemy."

"My husband loved the President," she said

An intriguing question is why Mr Casey, the ultimate insider, chose to be interviewed on 48 occasions by Mr Woodward.

Peru industry minister named

BY BARBARA DURR IN LIMA

President Garcia

PRESIDENT Alan Garcia of Peru has named Mr Alberto Vera La Rosa, a lifelong militant of the ruling party, APRA (American Popular Revolutionary Alliance), as the new industry minister.

Mr Vera, who will be sworn in this week, said his priorities would be to establish good relations with the business community and encourage greater production,

He added that he believed private investment was critical for achieving the country's economic goals.

The Government's relations with private business has been damaged severely since President Garcia proposed the nationalisation of the private financial sector in late July.

Opinion surveys since then have shown that businessmen have lost confidence and have little inclination to invest.

Mr Vera replaces the widely respected Mr Manuel Romero Caro, who resigned in disagreement with the bank nationalisation.

Mr Vera, who is president of Petromar, a state petroleum exploration company, is regarded by business leaders as well intentioned, but they say they have doubts that he will be able to change their attitudes towards the government.

The nationalisation legislation continues to be debated in the Senate. It is expected to be approved in the next few days.

Argentine revolt 'headed off'

ARGENTINA'S army chief, Dante Caridi, headed off a revolt in an infantry regiment early yesterday, according to government sources, Reuter reports from Buenos Aires.

As he left the Third Infantry Regiment on the western outskirts of Buenos Aires shortly before dawn, the army chief said everything was under control. However, an officer at the base said there was still unrest.

Soldiers manning guard posts outside the regiment said on Sunday night that they were locking themselves in their barracks to protest against the decision to relieve the unit's chief of his command.

Last Easter, the Third Infantry Regiment commander, Lt Col Dario Maguer, refused to participate in an operation to crush a military rebellion against President Raul Alfonsin's government.

Government sources said that Caridi, by visiting the unit, had prevented the situation from getting out of control.

One officer said the regiment would make a formal request for the army command to review the decision to relieve Lt Col Maguer of his command post. The officer said if the decision was not reversed, the unit would apply "other kinds of pressure."

It was the second sign of military unrest in recent days. Last Friday troops at an ammunition dump staged an unannounced military exercise, threatening police and firemen who rushed to the scene.

The previous day, a civilian judge indicated cashiered Lt Col Aldo Rico, the leader of the Easter uprising, on charges of rebellion, ordering him to be held under arrest pending trial.

Politicians and diplomatic sources attribute the defeat of President Alfonsin's Radical party in national elections this month in part to a widespread impression that the President had been forced to negotiate with the leaders of the rebellion.

US–Canada seek to salvage trade talks

BY DAVID OWEN IN CHICAGO

A LAST ditch effort to salvage the 16-month-old free trade talks between the US and Canada were due to take place in Washington yesterday afternoon. The talks were suspended last Wednesday by chief Canadian negotiator, Mr Simon Reisman.

Among those expected to attend were Mr James Baker, the US Trade Secretary, Mr Clayton Yeutter, the US Trade Representative, and, for the Canadians, Finance Minister Mr Michael Wilson, International Trade Minister Ms Patricia Carney and Prime Ministerial Chief of Staff, Mr Derek Burney.

The move, which follows four days of communications between Ottawa and Washington aimed at breaking the deadlock, comes less than a week before the midnight October 4 deadline for a draft treaty to be presented to Congress.

The meeting was proposed by the Canadian Government in a letter to Mr Baker on Sunday morning. This letter was in reply to a US proposal received by the Canadian Prime Minister's office on Saturday exploring ways to restart the talks.

Early indications that the suspension of the talks might lead to personal contact between President Reagan and Prime Minister Brian Mulroney have apparently not been fulfilled and there is little immediate indication of any softening of attitudes on either side.

Interviewed on television over the weekend, Mr Reisman said that he had seen nothing in the new US suggestions "to change in any significant way the impasse and difficulties that we encountered last week".

He added: "They haven't really focused at the proper level until the last twenty-four to thirty-six hours and it's probably too late."

The Canadian letter to Mr Baker, meanwhile, reiterated five bottom-line conditions for the signing of an agreement, including a ten-year phase out of virtually all trade barriers and the establishment of an "impartial, binational and definitive" method of resolving disputes. These were originally outlined by Mr Wilson to Mr Baker during a meeting in Washington on September 19.

Stable economic growth 'eludes Latin America'

The UN Economic Commission finds growth slipping and inflation rising, reports Mary Helen Spooner

LATIN AMERICA'S 1987 economic performance will be below last year's, with growth falling from 4 to 3 per cent and average inflation increasing to more than 100 per cent, according to preliminary estimates by the UN Economic Commission for Latin America.

The report, announced this week by Mr Norberto Gonzalez, commission executive secretary, examined the mid-year economic indicators of nine Latin American nations: Argentina, Brazil, Colombia, Chile, Ecuador, Mexico, Peru, Uruguay and Venezuela. The countries constitute 90 per cent of the region's economic product and 85 per cent of its population. The region's external accounts were expected to show a modest improvement, with the trade surplus increasing from $18bn to $21.5bn and a reduction in the current account deficit from $15.9bn to $10.7bn.

While cautioning that the report was a preliminary one, Mr Gonzalez said that the majority of Latin American countries had not been able to simultaneously control inflation, sustain economic growth and improve their external accounts.

"When they try to attain improvements in one area, they suffer setbacks in others," he said. "This is serious, since it means that our economies have been acquiring a recessive structural pattern." Mr Gonzalez said the reasons were twofold: the burden of high interest payments on the region's foreign debt and low international prices for Latin American commodity exports.

The commission report said that Argentina's inflation had dropped sharply in 1986 to 81.9 per cent after President Raul Alfonsin's Government applied the Austral Plan, but that the country's consumer price index had risen by the same perecntage during the first month of this year alone. This increase in inflation was accompanied by a decline in real wages and a 57 per cent reduction in the trade surplus.

The report said Argentina's gross domestic produce, whose growth had slackened towards the end of 1986, had increased by 2.7 per cent during the first quarter this year and grew faster during the second quarter.

The report bluntly described last year's Cruzado Plan in Brazil as a failure and said Brazilian economic policy this year has been marked by the temporary moratorium on payments of $70bn in medium and long-term commercial foreign debt, a new stabilisation programme announced on June 12 and strong recovery of the country's trade surplus.

"The Cruzado Plan was meant to stabilise prices without provoking recession but resulted in an overheated economy because prices were controlled while demand was stimulated rather than checked," the report said, and criticised Brazilian authorities for failing to take corrective measures until November, thus generating even greater inflationary pressures.

The commission said the new stabilisation programme, while producing a constraint on domestic demand and a fall in real wages to their pre-Cruzado Plan level, had yielded an impressive trade surplus, with a record $1.435bn at the end of July. In addition, the new measures have succeeded in lowering inflation from 21 per cent in June to 10 per cent in July and 6.4 per cent in August.

While praising the Brazilian economy's "extraordinary flexibility and competitiveness," the report cautioned that it remained to be seen whether these economic gains would be maintained once the freeze was lifted this month.

Only four Latin American countries — Chile, Colombia, Peru and Venezuela — were expected to reach growth rates of 5 per cent or more this year and only Colombia has managed to achieve uninterrupted growth thanks to stable economic policies. Colombia's export earnings were expected to drop from $641m to $221m this year, as coffee prices fell from $2.20 per pound last year to $1.29 per pound this year.

The commission said that in many Latin American countries imports have risen, even when export earnings have fallen as a result of depressed commodities prices. This is in part because of the depreciation of the US dollar against other currencies and the reluctance of many

Alfonsin: his Austral plan helped to lower inflation

countries to reduce their import volume below levels required for minimum growth.

The report said that Latin America's international reserves had in most cases either maintained their levels or even risen as a function of temporary debt moratoriums, debt restructuring and the inflow of new foreign loans.

Mexico began to receive the $6bn in new money it had negotiated with its creditors at the end of 1986; while Argentina, which restructured $29.5bn in medium and long-term debt, received $2bn to meet its growth targets this year.

Brazil's decision in February of this year to suspend the service on $70bn produced the equivalent of a capital inflow of over $400m per month.

Latin America's net capital inflow will total $15bn to $20bn, the commission report said, contrasting this with the $29bn in net interest payments and profit remittances. This transfer of resources from Latin America has decreased over the past few years, down from the annual average of $30bn during the height of the debt crisis in 1983 and down from $22bn last year.

This reduction in resource transfer from the region could indicate the beginning of a stronger bargaining position by Latin American countries during their negotiations with foreign creditors, the report said, and noted that "the costs of moratoria or partial debt service to maintain minimum growth are perceived to be significantly lower than those incurred by meeting debt service commitments first, and striving to grow with whatever foreign exchange is left over."

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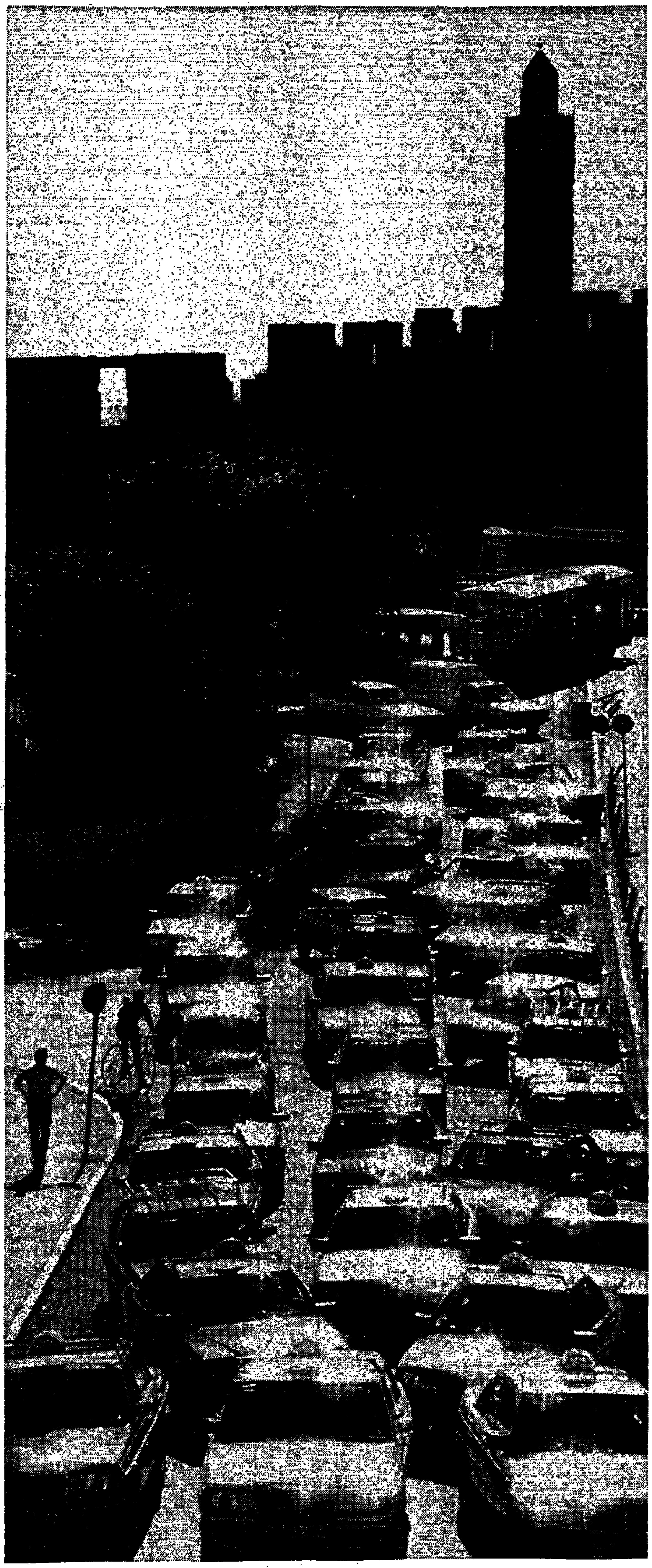
"I'VE LEFT MY UMBRELLA IN A TAXI."



To be fair, our American guest did give us a clue.

"It's a Mercedes," he told us. No *kidding*. Just like the other 999 taxis cruising the streets of Jerusalem.

In such circumstances, the majority of staff in the majority of hotels might, understandably, have offered sympathy and very little else.

Fortunately for the owner of the brolly, he was staying at the Sheraton.

And although the odds of finding a needle in a haystack were slightly shorter, this didn't deter our doorman.

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INTERIM COMMITTEE REAFFIRMS CASE-BY-CASE APPROACH

Financing delays 'jeopardise effort on debt'

BY PHILIP STEPHENS IN WASHINGTON

INDUSTRIAL AND developing nations yesterday warned that rising interest rates and delays in the provision of commercial bank financing could jeopardise attempts to ease the debt crisis.

The International Monetary Fund's policy-making Interim Committee reaffirmed, however, the existing case-by-case approach to debt problems. In what was seen as a coded reference to Brazil's refusal to agree an IMF adjustment programme, it said that "unilateral initiatives carry heavy risks for all parties."

In a communique released after a day-long meeting here the committee, which groups 23 finance ministers from the developed and developing world, said that there were encouraging signs in the world economy.

The present growth cycle was about to enter its sixth year, inflationary pressures remained subdued, and progress was being made in reducing budgetary and trade imbalances.

It identified, however, several weaknesses in present economic performance. Unemployment was still high in many countries, the imbalances remained large, the debt situation of middle-income countries remained difficult. The plight of low-income countries, especially those with declining per capita incomes, was a cause of "deep concern," the communique added.

The committee welcomed the weekend decision by President Ronald Reagan of the US to sign a congressional bill which could pave the way for further cuts in the US budget defivit in 1988. In an oblique reference to Japan and West Germany it added that surplus countries should act to ensure that domestic growth in their economies was higher than their overall expansion rates.

In a lengthy reference to the debt problems of middle-income countries, the communique said that it was essential that present policies aimed at domestic adjustment in those countries were sustained.

Developing nations should intensify efforts to: "achieve and maintain domestic economic stability" to mobilise additional domestic savings for investment "to improve the efficiency of resource use and to pursue outward-orientated growth strategies."

It was also necessary to ensure, however, that appropriate flows of financing from private creditors, industrial countries, and multilateral institutions was available.

The diversification in recently-negotiated financing arrangements between creditors and debtors — involving the use of techniques such as debt-equity swaps — was welcome, the communique said.

A further broadening of the range of "market-orientated" options could help to rebuild relations between creditors and debtors, it added.

Mr James Baker, the US Treasury Secretary, is expected to seek to reinforce efforts to boost this "menu" approach later this week. A call by the developing nations on the committee for a new allocation of IMF Special Drawing Rights to boost liquidity in the world economy failed to win sufficient support. Although supported by France and several other industrial nations, it was opposed by the US, West Germany and Britain.

The committee said that it welcomed the decision by the Fund's executive board to carry out a comprehensive examination of its economic adjustment programmes

Camdessus: proposed tripling of SAF

No deal on fund for poorest nations

By Alexander Nicoll in Washington

THE IMF's Interim Committee said yesterday that it was still pushing for agreement on an enlargement of the Structural Adjustment Facility, a special SDR 3bn fund for the poorest nations, by the end of the year.

However, this seemed less and less likely yesterday as industrialised countries continued to disagree on the size size and method of an increase.

Mr Michel Camdessus has proposed a tripling of the SAF in his first major initiative as IMF managing director. He is strongly supported by France, which has offered itself to put up an additional $500m.

West Germany has countered by suggesting a doubling and has proposed along with Japan that an increase be funded by sales of some of the IMF's gold stocks. The latter suggestion is not opposed by the UK.

The US, however, feels that it cannot press Congress for an appropriation for the SAF while it is also seeking a capital increase for the World Bank.

There is also disagreement on whether industrialised nations should share the burden of the SAF enlargement proportionately, or countries should instead determine voluntarily the amount which they should contribute.

Mr Camdessus told a press conference yesterday that negotiations had not reached an impasse.

Mr Ono Ruding, the Dutch Finance Minister who is the Interim Committee chairman, said the Committee had decided that it would be counterproductive to force the issues at this stage. The more flexible the arrangements which could be made for an SAF enlargement, the better the chance of raising a substantial amount of money, he said.

Developing countries have made clear at the IMF/World Bank meetings that a SAF enlargement is a crucial element of a package of official moves urgently needed to help the poorest countries, which are mainly in sub-Saharan Africa.

Andrew Fisher interviews the Free Democrats' spokesman on need to stimulate growth

Lambsdorff attacks US over West German economy

Lambsdorff: "Each side has skeletons in the cupboard"

THE US Government was strongly criticised yesterday by Count Otto Lambsdorff, economic spokesman of the junior party in the Bonn coalition, for not putting enough direct pressure on the West German Government to stimulate the economy.

"It is a subject which really annoys me," said Count Lambsdorff in an interview with the Financial Times. His party, the Free Democrats (FDP), is a strong advocate of more economic deregulation, privatisation and flexibility in Germany.

Noting that Mr Gerhard Stoltenberg, Germany's Finance Minister, had returned to Germany at the weekend from the International Monetary Fund (IMF) meeting in Washington without apparently coming under great pressure to boost the sluggish German economy, Count Lambsdorff added that "each side has skeletons in its cupboard, so they do not confront each other."

In other words, he explained, the US knows that criticism of German policies for being inadequately oriented to growth and economic flexibility would be countered by attacks on the large US deficits. "So they sit around the table and keep their mouths shut and behave in a friendly way to each other."

Count Lambsdorff, who has been a strong supporter of Government tax cuts to help stimulate domestic demand, has often clashed with the senior coalition party, the Christian Democrats (CDU), over what he and FDP colleagues see as its lack of initiative in opening up the economy to more competition and ending labour and other rigidities.

This year, most independent forecasters expect the German economy to grow by little more than 1 per cent, though the Government has said it is hoping for nearly 2 per cent.

Count Lambsdorff said that at a recent meeting with Mr James Baker, US Treasury Secretary, he had said the US official should speak his mind more openly to Mr Stoltenberg, a CDU member, and Mr Helmut Kohl, the German Chancellor.

"They (US officials) write in the newspapers and tell Congress what Germany should do. But when a German Government delegation comes over, or they meet at Venice (site of this year's economic summit), they (the US) do not open their mouths."

The German Government has argued that its decision to bring forward more of its planned 1990 tax cuts to increase those to be implemented next year is a substantial contribution to growth both in Germany and the rest of the world.

But it is no secret that some US and other European officials and economists are disturbed at the slow pace of German growth. Count Lambsdorff commented: "For years, Americans have been publicly telling us and giving speeches on what we should do for growth, and then every time there is an international meeting such as the IMF or OECD, they write communiques."

World Bank learns price of progress

Nancy Dunne reports on the growing criticism from environmentalists of the policies of the international development banks

MR BOB GELDOF, the rock star and humanitarian, and Mr Nicholas Claxton, whose award-winning film awoke Europe to the Ethiopian famine, are in Washington this week for the annual meetings of the International Monetary Fund and World Bank.

They are not, it must be added, actually attending the meetings. Instead, they are hoping to lure the bankers and government officials to infinitely less elegant surroundings in a Senate office building tomorrow for a showing of Mr Claxton's latest film, The Price of Progress, which has been aired on British television.

The film, narrated by Mr Geldorf, is billed as "an exposé of environmental and human tragedy" and focuses on projects which require the resettlement of millions of rural poor.

It comes to Washington at a time of increasing criticism of many development bank projects for destroying the environment and hurting the people they are supposed to be lifting out of poverty.

Surpassing all previous criticism is a searing report released on Monday by the respected Cato Institute in Washington which accuses the World Bank of "helping Third World governments cripple their economies, maul their environments and oppress their people."

While the bank was born 40 years ago with high ideals, "it now consistently does more harm than good for the world's poorest," the report says.

Making use of the bank's own documents—as does the Claxton film—it contends that World Bank projects have funded human rights abuses and environmental disasters. It complains that the bank has approved a massive expansion of governmental power in the Third World and, "desperate to find new recipients, has found a gold mine in the worst-managed economies in the world."

"The bank is notorious for giving bad advice," it says. "In the 1970s it helped to lay the groundwork for the Ethiopian Government's current murderous resettlement programme. Bank aid has helped many countries build unneeded steel factories, underused airports and roads that crumble as soon as they are completed."

In Congress, one of the leading critics of the development banks is Senator Bob Kasten, a senior member of the Subcommittee on Foreign Operations, which overseas appropriations to the development banks. Under legislation introduced by the Senator, the US Agency for International Development is now required to publish an "alert" list of multilateral bank projects under investigation by the agency for harmful impact on the environment.

The "early alert" system was developed in response to an AID warning (which no one heeded at the time) against a World Bank cattle project in Botswana. Much of the country's migrating wildlife starved because the land could not support both wild animals and cattle.

As required under Senator Kasten's legislation, the US Treasury has been withdrawing support from development projects on the list. Last month, Senator Kasten and Senator Daniel Inouye, chairman of the Subcommittee on Development Operations, threatened to suspend US appropriations to the InterAmerican Development Bank over a road paving project in Brazil.

The IDB, reluctantly, warned Brazil that it would cut off lending for the highway unless it met its contractual promises to protect the Amazon rain forest and its tribal dwellers. Brazil has until October to respond.

At the World Bank, officials have promised to give environmental issues top priority. The bank has set up a department of environment in its recent reorganisations, although it has not yet named a top manager.

Mr Barber Conable, the bank President, has repeatedly asserted that "development cannot be sustained without the most careful attention to environmental considerations."

Meanwhile, groups like the Environmental Defence Fund have also tried to change their ways by adding economists to their staffs with the idea of offering options for development instead of simply trying to block projects. One recent coup was a deal put together by a group called Conservation International.

Citicorp purchased outstanding Bolivian debt at the discount market price and sold it to Conservation International for $650,000. The environmentalists then turned the note over to the Bolivian Government, which agreed to set aside and protect 3.7m acres

Other groups, meanwhile, are keeping a sceptical watch on the World Bank for signs that Mr Conable will back his promises with action.

Losses of US Export-Import Bank to continue

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US Export-Import Bank has plunged deeper into the red. Preliminary figures for the financial year that ends tomorrow show a net loss of $523m compared with $343m in 1985-86.

The losses are set to continue despite a marked increase in turnover since the bank implemented a major reorganisation earlier this year. Its President, Mr John Bohn, is expected to inform Congress during the next three months that its net equity has fallen below the critical level of half the $2.8bn outstanding at the end of the fiscal 1983 year.

Mr Bohn said in an interview that the bank's financial position will then force a debate on whether it should be recapitalised to cover its losses. These are being incurred because the high rates it pays on borrowing from the US government do not match the cheap, subsidised rates paid by its customers.

This mismatch is the legacy of the high US interest rates in the late 1970s and early 1980s, and is the main cause of the bank's losses. It has not written off loans to developing countries with debt difficulties, and sees no need to do so despite criticism from the General Accounting Office (GAO).

Mr Bohn said the bank faced two choices. It could either seek fresh equity capital or it could refinance its existing borrowings with cheaper loans from the US government. This would be a preferable route despite the prepayment penalties 1985-86, published only last

The bank's annual report for week, showed that at the end of September 1986 Eximbank's weighted average interest receivable was 8.51 per cent compared with an interest expense rate of 11.7 per cent.

The current year's losses were swollen by a prepayment penalty of $121m paid to the Federal Financing Bank to pay off borrowings no longer needed after borrowers prepayed $1.7bn in existing loans. The level of prepayments meant that the bank no longer needed to sell assets in the securities markets as it had been required to do by Congress.

Mr Bohn said that refinancing of the bank's borrowing would enable it to narrow the difference between its interest expense and interest income. Its annual report says that without such a step the bank will move into a net negative reserve position within two years, a burden which it would not be able to work off until the mid-1990s.

However, the volume of its fresh business is now increasing steadily. The bank estimates that it has used all its $680m loan authority in the current fiscal year and two-thirds of its guarantee authority or some $8bn.

The bank's accounts for 1985/1986 were again criticised by the GAO, which said that its net equity would have fallen below $1.4bn in fiscal 1984 "had the bank followed generally accepted accounting principles and recorded an allowance for losses on loans and estimated recoveries."

THE LEADING candidate to replace Japanese Prime Minister Yasuhiro Nakasone next month is urging industrialists to transfer more production to the US to help ease trade friction, Reuter reports from Tokyo.

Former Finance Minister Mr Noboru Takeshita said in an interview: "Japan should transfer as much capital as possible to the US, mainly enterprises," Mr Takeshita said.

"Products manufactured there can be exported to Japan or parts produced there can be used within the US instead of importing from Japan, to help ease the trade imbalance," he added.

US-Europe Airbus fight hots up

By Our World Trade Editor

THE QUARREL between the US and Europe over Airbus subsidies is set to intensify following completion of a report by the US Commerce Department which purports to show that the European aircraft manufacturer is heavily subsidised.

The US is expected to use this report to press its case for a removal of Airbus subsidies. There are fears that it will impose trade sanction if the row cannot be resolved.

Trade officials in Washington said they expect the issue to come to a head during October, though the two sides are still trying to arrange a date and agenda for formal talks on the issue.

European officials say the Commerce Department report argues that Airbus would not be viable without subsidies from its four government shareholders, Britain, France, West Germany and Spain. But its authors have had to make assumptions about the actual cost of producing the aircraft since figures are not available from Airbus Industries in Toulouse.

As a result its conclusions are open to question, they say. Even if Airbus is found to be subsidised, this is permitted by the General Agreement on Tariffs and Trade provided the subsidies do not distort the market.

Lisa Wood reports on the restructuring of a growing sector of the paper industry

US tissue makers aim to clean up in Europe

THE European Community, according to US tissue makers such as Scott Paper and Kimberly-Clark and James River, is one of the largest market opportunities in the world — and one they intend to do their best to mop up.

Last month James River, the second largest US domestic paper company, which has made several acquisitions in the past two years, paid FFr 1.5bn ($273m) for a 50 per cent stake in Kayersberg, the leading French producer of toilet tissues, owned by Paris-based Beghin-Say, which is in turn controlled by Ferruzzi Agricola Finanziera, the Italian conglomerate.

James River's European presence until then had been limited to two relatively small operations in Scotland. Mr Breton Halsey, James River's chairman, said the stake in Kayersberg marked the cornerstone of the group's expansion into Europe.

While Europe is a growing market, it is one ripe for rationalisation. Overcapacity, along with the development of own-label products, has driven down manufacturers' profit margins.

US-owned tissue companies have been active for many years in Europe, but there are several reasons for the new push and their optimism about growing profitability in the sector.

The US is the biggest tissue market, using about 40 per cent of all sanitary tissue, for example. However, in a highly competitive environment, annual growth is running at under 2 per cent.

Europe, by comparison, with a bigger population, consumes about 25 per cent of the world's sanitary tissue, with annual consumption going up by between 3 and 10 per cent. Individual consumption of tissue is about one-third of that in the US.

In addition use of products such as kitchen rolls and paper serviettes is substantially less, which the Americans bullishly believe will change with Europeans throwing out the ubiquitous tea towel in favour of disposable products.

The European Tissue Symposium, which gathers statistics on the industry, believes growth will be constant for the next couple of years, although it could decrease again during the latter part of the decade.

However, there is a sea-change taking place in the industry. Aggressive expansion of capacity, which characterised the industry in the 1970s when demand escalated, is now evolving into an emphasis on quality improvement, cost reduction and branding.

Bigger and more cost-efficient machinery is being introduced and US technology is making significant inroads. Instead of traditional roller-drying methods hot air is used to dry the sheets of tissue. Fibres are no longer squeezed flat, but are fluffed up to produce sheets which are soft but strong and which can command higher prices because of perceived added value.

The industry has also been restructuring to come to grips with over-capacity and attendant low profit margins.

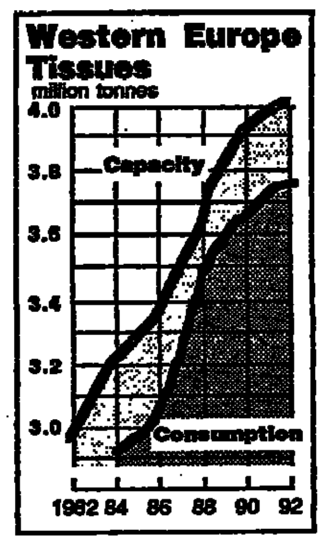
In June, Holmen, the Swedish forest group, took over MoDo Konsumentprodukter, one of its main domestic rivals which had suffered poor profitability in the sector for several years.

According to Mr Bernt Lof, MoDo managing director: "The West European tissue paper industry requires exetnsive restructuring. In order to attain satisfactory long-term profitability a company should be one of the three or four largest in Western Europe."

The acquisition makes Holmen Europe's largest newsprint producer, the third largest tissue producer in Europe after Scott Paper and PWA of West Germany. Scandinavian producers are among the few vertically-integrated tissue manufacturers because of their closeness to large forests.

However, distribution costs are a critical factor in the economics of the industry and others such as Scott Paper, the biggest producer, have until recently tended to buy-in their pulp, locating manufacturing plant near to the consumers.

In the UK, Bowater Scott, owned by Scott Paper, leads the £596m tissue market with Kimberley-Clarke taking 20 per cent and British Tissues, a joint enterprise between Nokia and Smith & Nephew, taking some 17 per cent.



In West Germany, which produces the largest tonnage of tissue in Europe, PWA is the most important manufacturer, closely followed by Vereinigte Papierwerke Schickedenz. PWA has recently expanded in key foreign markets.

Industry observers suggest that poor profitability among some German tissue manufacturers, largely because of market penetration by cheap and own-label brands and failure to invest in new technologies, puts them in the front-line for possible purchase.

In France Beghin-Say dominates the market with Bouton Brochard Scott, the Scott Paper subsidiary. Again, according to Euromonitor, the market research organisation, prices have not risen in line with consumption because of the rise of own-label products and overcapacity within the industry.

James River's entry into the French market leaves Scott Paper apparently unperturbed. At present Europe is seen by Scott Paper as one of its primary growth markets. In 1986 each of its consolidated operations in Europe had improved operating results.

A large part of the European strategy is to take full control of European partners. Last year it purchased Bowater Industries' 50 per cent stake in Bowater Scott, the UK tissue maker, for £60m. It was not cheap with Bowater Scott's pre-tax profits in 1985 only £6.2m on sales of £200m. However, Bowater Scott had to spend heavily on new Scott technologies which led to 600 redundancies over two years from a workforce of 3,000.

Mr Philip Lippincott, chairman of Scott Paper, best known in the UK for its Andrex toilet tissues, forecast more mergers: "Some local companies will have to decide whether or not they have the capital required to invest in new machinery and if not, consider what do they then do."

Japan suffers from mounting Iraq debt

BY TONY WALKER, RECENTLY IN BAGHDAD

JAPAN'S TRADE with Iraq has plummeted this year, reflecting Iraq's lack of foreign exchange and continuing debt problems between the two countries.

Two-way trade reached $224m in the first quarter of the year, compared with $830m in the same period last year, a drop of about 73 per cent. A Japanese official described the overall trading situation as "very bad." Japan is the most heavily exposed of Iraq's major creditors.

Japanese companies are owed more than $3bn. Japan's export credit agency, which suspended cover to Iraq last year, has an exposure in Iraq of $2.4bn.

In April, Japan's major trading houses, including the "big three" engaged in trade with Iraq—Mitsubishi, Marubeni and Sumitomo—agreed to another deferral of payments on outstanding debts.

Iraq has since 1983 secured from its creditors a series of debt payments deferrals. Iraq's notional foreign debt tops $50bn, but much of this is to Gulf states and will probably never be repaid.

Japan still has available for Iraq about Y30bn ($209m) in credit. Iraq is seeking Japanese agreement to use the credit as payment towards the building of a fertiliser factory, and on further improvements to Baghdad itself.

Japanese companies are maintaining their offices in Baghdad on a reduced scale. "They don't want to take part in big projects because of the repayment risk," said a Japanese official. "All of them are waiting to see if there is an improvement in the economy."

Japanese companies and the government itself are expressing irritation that Iraq appears to be giving others preference in the payments of debts. "The debt to Japanese companies is so big they feel they can't pay," observed an official. "Another reason for delay in payments is that Iraq may be waiting for the yen rate, which is now very high, to come down."

Japanese companies are still, however, doing business in the Middle East. Mitsubishi, together with Saipem of Italy, head the successful consortium awarded a contract to construct a $1.5bn pipeline across Saudi Arabia to be completed by October, 1989.

Relative of Khomeini successor executed

A RELATIVE of Ayatollah Hussein Ali Montazeri, the designated successor of Ayatollah Ruhollah Khomeini, was executed by a firing squad in Tehran at dawn on Monday, Tehran Radio reports, AP *reports from* Nicosia.

Mehdi Hashemi, a clergyman who ran Montazeri's office in the holy city of Qom until last October, had been charged and convicted of being "corrupt on earth," the most serious crime *under the Islamic Shariaa, or* Islamic law.

"The death sentencie pased on (Hashemi) . . . was carried out," said the Tehran Radio broadcast.

It repeated the long list of crimes he allegedly committed, including murder, kidnapping, plotting to overthrow the government and smuggling.

Until his arrest in October, *1986, Hashemi had* also headed the Global Islamic Movement that was in charge of exporting the Islamic revolution. One of his main duties was to funnel arms and weapons to Shiite Moslem militants in Lebanon.

Hashemi's brother Hadi, who *is Montazeri's son-in-law*, was arrested, too, but there has been no word of his conviction.

Hashemi was convicted by a religious court in a three-day trial in August. Before the trial, he appeared on television and *admitted involvement in subversive* activities.

In Baghdad, a representative of the main Iranian opposition group, the Mujahedin e-Khalq, said Hashemi's execution was a result of an internal struggle within the Tehran government.

"In an abortive *attempt to* control the crisis within the regime, Ayatollah Khomeini had no other option but to eliminate even his closest allies," Allireza Jafarzadeh, a top official of the Baghdad-based group, said.

He expected a "*process of* internal struggle within the Tehran regime would worsen rapidly in forthcoming days."

Tony Walker reports on the Islamic challenge to socialism

Left under siege in Egypt

"ASK THEM about their programme," Mr Tahsin Bashir, a leading Egyptian political commentator, said of leaders of the left in Egypt, "and they reach for another Scotch."

Egypt's left is in crisis, buffeted by past failures, bedevilled by a murky vision of the present and under siege from a resurgent Islamic trend.

Egypt's socialists, Nasserists, *Marxists* and nationalists are adrift without apparent purpose in a country where 40 per cent of the population live in poverty.

Egypt's parliamentary *elections in April* resulted in the broad left, represented by the National Unionist Progressive Party, the *Tugammu*, receiving *less than* 3 per cent of the vote, compared with more than 10 per cent for an alliance that *was dominated by the banned but* tolerated Moslem Brotherhood.

The result for the *Tugammu was a disaster, much worse in fact* than the 1984 election in which it polled more than 4 per cent of the vote, that was considered a poor result, well short of the 8 per cent needed nationally to qualify the party *for parliamentary representation*.

Dr Ismail Sabri Abdallah, a *Marxist member of the Tugammu's* central committee, described the April result as "really alarming." He added that the left had been unable to mobilise what should have been a "wide basis" of *support* and this indicated a serious malaise.

The crisis of the left has exposed *deep divisions within its ranks*, between radical elements who are urging a more confrontational approach and less extremist figures who fear that such a strategy of "taking to the streets" would further alienate an essentially conservative Egyptian electorate.

The crisis of the left in Egypt would perhaps be of little consequence, except that the failure of the socialist trend is contributing to a political vacuum that is being exploited by the Islamic tendency.

The centrist ruling National Democratic Party of President Hosni Mubarak, while it dominates parliament with more than three-quarters of the seats, is not regarded as dynamic political force capable of articulating a vision of the future: rather it is an amorphous group drawn together by convenience to preserve the main elements of late President Anwar Sadat's policies, such as the peace treaty with Israel and the "open door" to foreign investment.

Mr Bashir, who is a former ambassador to Canada and spokesman for President Sadat, believes that the left's problems date specifically from the crushing defeat of the Arab armies by Israel in 1967. "The left," he said, "was defeated with Nasserism in 1967."

Since then it has been on the run. President Sadat in his corrective *movement of 1971 – after assuming* power on the death of Gamal Abdul Nasser the year before – jailed leading *associates of the former president*. He maintained pressure on the left throughout his rule until his *assassination in 1981, preventing*, for example, a Nasserite political party being formed.

President Mubarak has similarly blocked the reconstitution of a Nasserite Party that died with the dissolution of the Arab Socialist Union in the mid-1970s, arguing in private that the real home of the Nasserists should be with the NDP.

Opinions are mixed as to the continuing strength of Nasserist ideals, which broadly encompass a form of Arab nationalism and primitive grassroots socialism. Dr Abdallah, who served in *both the administrations* of Nasser and Sadat, says it was striking that whenever the name of *Gamal Abdul Nasser* was mentioned at political rallies during the recent election campaign, it drew a *strong positive response*, suggesting the ideals of the late president live on in a section of the *Egyptian community*.

Mr Bashir believes that while Nasserism as a system of govern*ment or body of beliefs is finished*, his memory survives as a rallying point for disinherited Arabs.

It is difficult to gauge, however, whether a re-constituted Nasserite party would attract mass support, even *at a time when there is wide*spread disillusionment in Egypt with the existing order – particularly *among the middle class*, whose living standards are being eroded by inflationary pressures.

The most striking problem for the left, according to most observers, is lack of leadership, and particularly the absence *of* a credible figure around whom the left could rally. "If Nasser was resurrected *and walked on the streets*, the people would support him," said Mr Abdul Satar El Tawila, a Marxist columnist, "but there is no such figure today."

The left has also conspicuously failed to articulate a programme, beyond empty slogans opposing the Camp David accords and Egypt's dependence on US aid.

Dr Aly Sabry, one of Nasser's closest associates who was jailed by *Sadat for 10 years*, blames the slain president for encouraging the Islamic trend as a means of destroy*ing the left*. "*When they became* strong enough they eliminated Sadat with the hope of taking over," *he said*.

Spokesmen for the left freely admit that they are losing the struggle *against the Islamic tendency in universities* and professional groups. Candidates associated with the *Moslem Brotherhood have swept* recent elections for student and staff bodies on campuses.

The radical response to the parlous state of the left in Egypt is to advocate a more activist approach. *Spokesmen for the hard left* recall that during the 1977 riots in protest at bread price rises levied by Presi*dent Sadat* it was the left that led the challenge which forced the administration to revoke the increases.

Mr Salah Issa, a writer and radical member of the *Tugammu* central committee, says that one of the left's problems is that it has not resolved whether it is a revolutionary force or whether it should seek its ends by more passive means. Another obstacle is the "historical disease" of internal struggle.

Details of Kim kidnap to be published

By Maggie Ford in Seoul

DETAILS of the past kidnapping by South Korean intelligence agents of Mr Kim Dae Jung, the leading opposition politician, are to be published after the Government responded to pleas by the ruling Democratic Justice Party not to interfere with press freedom.

Journalists have protested for days at a ban on the printing of two magazines which carry interviews with the head of the intelligence agency in 1973, when Mr Kim was abducted from a hotel in Tokyo and returned to Seoul.

He had been living in exile during the repressive period of the regime led by the late President Park Chung Hee. Although the facts of the matter are widely known abroad, South Koreans have never been informed about the incident. Both the Tokyo and Seoul Governments said at the time that they were unaware of the plot to *kidnap Mr Kim*, *who* is expected to announce shortly whether or not he will be a candidate in the presidential election due in December.

He faces rivalry from Mr Kim Young Sam, his colleague in the opposition Reunification Democratic Party. Both have agreed that only one candidate will stand for the election as the party's candidate.

Yesterday a third Kim announced that he was *forming* a party with a *view* to standing for president. Mr Kim Jong Pil, 61, was Prime Minister of South Korea under the Park government.

This Mr Kim is not given any chance of winning power but could have a pivotal effect in *a close fight, probably taking* votes from Mr Roh Tae Woo of the ruling party.

● September's export figures are expected to reach more than \$4.2bn, a monthly record, the Ministry of Trade announced yesterday. Following August's industrial disputes, companies have been *working substantial* overtime in advance of the Autumn holidays due later this week.

Fiji armed forces chief ready to oust Governor-General

BY CHRIS SHERWELL IN SUVA

FIJI's political crisis reached a dramatic impasse last night as the post-coup confrontation deepened between Col Sitiveni Rabuka, the armed forces chief, and the country's Governor General.

Col Rabuka, who reasserted full military control over the country last Friday, declared yesterday he had abrogated the constitution and indicated he was ready to dismiss *Ratu* Sir Penaia Ganilau, the Governor General, if his authority was *not recognised*.

The Governor General, lonely in Government House but fortified by support from the country's judges and tacit backing from abroad, was said to be still standing firm.

Although his options seemed limited, they included an appeal for help to his countrymen and to the outside world. Unless he buckles under the relentless pressure, an early resolution of the crisis only seems likely *if there is a major* showdown.

Details of a crucial meeting yesterday afternoon between Col Rabuka and the Governor General were under wraps last night. Col Rabuka was widely expected to make a broadcast today, *presumably to announce* a new Council of Advisors to help run the country.

The military leader also held his first meetings yesterday with the judges, heads of the country's statutory bodies and officials from foreign countries represented in Suva.

No embassy sent its ambassador *to the diplomats'* meeting, a deliberate snub. The British representative said the UK Government "continues to regard His Excellency, the Governor General as the executive authority in Fiji." Other countries made the same point.

The statutory bodies, like the government departments at the weekend, were asked to continue working normally.

In a statement after their 25-minute meeting, Fiji's judges said they had informed Col Rabuka "that they were determined to continue to discharge their duties for as long as His Excellency the Governor General continued to exercise his lawful authority. Service to any authority opposed to the Governor General would render their position untenable."

Sir Timoci Tuivaga, the Chief Justice, later met the Governor General and reported that Sir Penaia was "standing firm" and was clear about the legal position.

Earlier, Mr Justice Kishor *Govind, one of* the Supreme Court judges, was freed from detention. Another, Mr Justice Francis Rooney, a British citizen who is on contract to Fiji under an aid programme, was released from house arrest. Both were in good spirits.

There was confusion at the country's banks yesterday after broadcasts on the military-controlled radio station unexpectedly announced they would remain closed. The banks and the Reserve Bank were unaware of the move, but after *a meeting all banks* are expected to reopen today.

Abroad, Mr Bill Hayden, *Australia's* Foreign Minister, said Canberra did not intend to recall its diplomats from Fiji, saying that there was a job of representation and influence *still* to conduct.

Chris Sherwell in Suva talks with a coup leader

The changing face of Fiji

MR MELI VESIKULA, is a stocky, strong-voiced former regimental sergeant major who served in the First Battalion of the Duke of Wellington Regiment of the British Army.

Aged 44, he returned to relative obscurity in Fiji in 1984 having seen service in Northern Ireland, Cyprus, Malaysia and Hong Kong over a period of 23 years.

In the past few months, however, he has emerged to become *a leading member of the com*plex company which currently walks Fiji's peculiar political stage.

Ratu Vesikula—he is one of the South Pacific Island States' minor Ratus, or chiefs—is the principal spokesman and a key member of the Taukei Movement.

The movement's growing importance was underlined by last Friday's second coup in *five months in* which Col Sitiveni Rabuka, the Armed Forces Chief, appeared to identify clearly with *its* goal.

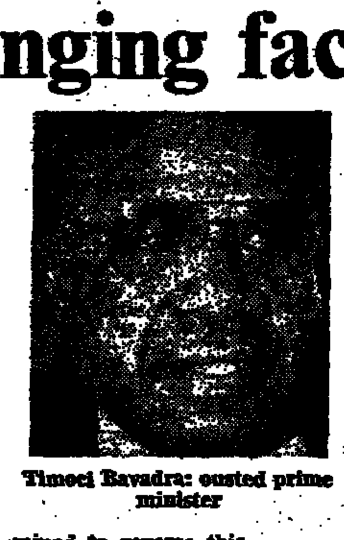
Taukei—literally it means "owners" (of the land)—is demanding major constitutional changes to entrench the interests of indigenous Melanesian Fijians.

Ethnic Fijians compromise 45 per cent of the 720,0C) population but are outnumbered by Indians who form a slight majority. Europeans, Chinese and other islanders make up the remainder.

The movement's ideology is a curious blend of racial domi*nance, nationalism, respect for* traditional institutions and concern for the under-priviledged.

It was formed at the time of last April's historic election, in which the Alliance Party's 17 years of rule since independence were halted by the National Federation-Labour Party coalition.

Although Dr Timoci Bavadra, the new Prime Minister, was an *ethnic* Fijian, the coalition's victory brought to power for the first time a number of Indian political figures. Taukei leaders were determined to reverse this.



Timoci Bavadra: ousted prime minister

"When I left this country," says Ratu Vesikula, "there was a balance socially, economically and politically. But over 17 years the balance has shifted. Fijians have been left behind socially, economically—and on 12th April, *politically*."

In his view the problem went deeper than the simple fact that the *alliance party led* by Ratu Sir Kamisese Mara, had been defeated. According to Ratu Vesikula the Alliance Party had become flawed and had presided over an alarming deterioration in Fijian society.

The Taukei Movement formed a 40-strong national executive which included various chiefs from Fiji's 14 provinces. Below this was a working committee meeting two or three times a week, and then a strategy committee of half a dozen.

Ratu Vesikula was and is on *all three committees*. The other leading lights include Mr Atisai Tora, Mr Jone Veisamasama and Mr Taniela Veitata, three well known figures who all became members of the Advisory Council created in the immediate wake of the May coup.

The movement claims support from certain key trade unions, the army, and elsewhere and has worked hard to build this up. Currently, it sees itself as a pressure group and watchedog and has no intention to become a party.

Its message has clearly struck a chord with many Fijians. Whether its methods have found such popular backing is less clear. The Taukei has been blamed *for* the incidents of disruption across Fiji which became a key pretex for Col Ramuka's first intervention.

It has also been blamed for violence incidents on Suva's streets a few days later, and for numerous other attacks on supporters of the deposed Government.

Ironically, Ratu Vesikula says the formation of Dr Bavadra's Labour Party was "like a breath of fresh air." It meant *some Fijians were not meekly* accepting the chiefs and were "*starting* to look up."

Labour's coalition with the Indian - dominated National Federation Party, however, was "too glossy," he says. The cultural values and ideals of Fijians and Indians were "entirely different," and the coalition could not have worked as a government.

"Had Col. Rambuka not come in, Suva would have started to burn," he says. He feels the same way about last week's *political deal* between Dr Bavadra, Ratu Mara and the Governor General, Ratu Sir Penaia Ganilau.

Back in May, questions were asked about Ratu Mara's involvement in Col. Rabuka's coup, not least because he accepted the top position in the initial team Col Rabuka put together.

By July, however, Ratu Mara and Taukei had clearly come to a *parting of the waves*, and *this* seemed to be confirmed by last week's deal.

But was Ratu Mara a supporter of the Taukei? "He is a Fijian" says Ratu Vesikula simply. "He never supported it openly. *But we claim 97 per cent* support from ethnic Fijian people."

It is a figure which is widely disputed. But what of Col Rabuka himself? "He is also a Fijian" is the reply. "His objectives in May were in line with ours. The presumption is that this remains the case."

Taiwan may charge journalists

BY BOB KING IN TAIPEI

THE Taiwan Government may bring criminal charges against two Taiwanese journalists who two weeks ago violated a government ban *on visits to* China by *openly reporting on* social conditions from several Chinese cities.

Both reporters returned to Taiwan via Hong Kong on Sunday after spending 13 days in China reporting their experiences and impressions by phone to their colleagues stationed elsewhere in East *Asia. They were the first* Taiwanese reporters to visit China in nearly 40 years.

The Government Information Office (GIO) yesterday issued a statement saying it will refer the case of the reporters, Mr Li Yung-teh and Ms *Hsu Lu of the* Independence Evening News, as well as the paper's publisher, Mr Wu Feng-shan, to the Public Prosecutor's office, on charges of falsifying official documents.

The GIO also said it would not approve any applications for travel abroad by reporters from *the paper for the next two* years.

The document referred to was a request by Mr Li that the Information Office assist him in obtaining the necessary exit and re-entry permits for a reporting trip to Japan. Mr Li and Ms Hsu passed through Japan on their way to Peking, but the government insists that, with China their actual destination, Mr Li had falsely stated his intentions.

Ms Hsu did not avail herself of the GIO's assistance in obtaining her permit to travel. While the government seems set to punish both the reporters and the newspaper, the history-making visit by the journalists may have done more to heighten Taiwanese awareness of conditions in China than 40 years of Nationalist propaganda has accomplished.

While thanking their Chinese counterparts for assistance rendered in arrangements for travel, accommodation, and news coverage, both reporters have repeatedly commented on the wide disparity between social conditions *on* the *two* sides of the Taiwan Straits. They also noted constant surveillance of their activities by security agencies in China

Tunisian activists sentenced

BY FRANCIS GHILES IN TUNIS

MOST TUNISIANS greeted the verdicts which concluded the most important trial of radical Islamic activists since the country became independent 30 *years ago, with a sigh of relief*.

Two minor incidents of tyre-burning were reported yester*day in Tunis, but otherwise the* capital and other major cities remained quiet.

The only other reaction came from the Jihad Islamique in Beirut, which said it would wage war against members of the Tunisian establishment. One senior Tunisian privately said he was unimpressed. The authorities are taking no chances, however. Armed police and soldiers are guarding all important official buildings, embassies and major hotels in Tunis.

Of the 53 defendants who appeared in court (37 are being tried *in absentia*), *two were* condemned to death. They are Mr Mehrez Boudegga, who confessed to making the bombs which exploded in hotels in Sousse and Monastir last August, wounding 12 Italian *and British tourists, and* Mr Boulbaba Dekhil, who threw acid in the face *of* two members of the ruling Socialist Destour Party in the southern port of Gabes.

The leader of the Movement de la Tendance Islamique (Movement of the Islamic Tendency), Mr Rashid al Ghanoushi, was condemned to forced *labour for life*. Fourteen other defendants were acquitted, the remainder being sentenced to forced labour for periods of five to 20 years.

The defendants are expected to appeal against the sentences to the Cour de Cassation, which would render a second verdict within a week.

The Government is keen to get the whole process over with, by the time the universities open early next month. Last week, parents *of* secondary school children were called to meetings where they were warned to guard against their children becoming involved with any kind of radical Islamic group.

UK NEWS

Janet Bush looks at the revenue effect of privatisations past and future

A powerful windfall for the 1990s

THE GOVERNMENT'S privatisation programme is entering an era of superlatives. Its sale of British Gas, worth about £7.75bn, is about to be equalled by the sale of its remaining stake in British Petroleum, but those issues will be dwarfed by the proposed privatisation of the electricity industry.

The value of the electricity industry is impossible to quantify, particularly as ministers are still grappling with various fundamentally different options for its sale which might mean selling the whole industry or only parts of it.

However, the widely quoted price tag for the industry at this early stage in privatisation plans is £37bn, more than twice the total receipts from the Government's privatisation programme since 1979.

The importance of a successful sell-off of the electricity industry in terms of a potential stream of revenue for the Exchequer is almost unquantifiable.

If the Government were to institutionalise its current target of £5bn a year from privatisation proceeds, it would seem likely, on the basis of a successful electricity sale, to have little difficulty in meeting such annual targets.

The current fiscal year is sewn up. Rolls-Royce, the second call on British Gas, the second on British Airways, the first on BAA (formerly the British Airports Authority) together with some British Telecom preference shares account for more than £4bn of the £5bn target for the year. The first tranche of the sale of BP shares at the end of October should take care of at least another £1bn.

In 1988-89, the Government can expect £1.6bn from the third tranche of British Gas in April, £720m from the second payment on BAA in May and a large chunk from the second instalment on BP in August. It will receive an additional £250m as more British Gas debt is repaid.

The Government also has an option to sell some or all of its remaining 49.8 per cent stake in BT after April 1988, although Whitehall officials privately concede this seems a long shot given the chorus of disapproval surrounding BT's service record.

Sales planned or already underway have set the course for the Government's annual windfall until the end of the decade. Proceeds of the electricity sale will be needed for later years

In 1989-90, the Government can look forward to another payment on BP shares and, if the current controversies are resolved, the first fruits of its privatisation of the water industry.

In 1990-91, if everything goes according to plan, the momentum of the programme and the burden of providing the Government with its annual windfall will rest almost exclusively on proceeds from electricity. (British Steel is also a possible candidate but no date has been pencilled in for its privatisation).

The benefit to the Exchequer from privatisation proceeds, quirkily accounted for as negative spending, is by no means the aspect of the programme most emphasised by Government rhetoric. Ministers prefer to talk about wider share ownership, the spread of popular capitalism and efforts to promote greater competition in industry.

There is no doubt, however, that £17.5bn in receipts from privatisation have lain behind a successive reduction in the proportion of public borrowing to the size of the economy since 1979 and helped to provide the wherewithal for reductions in the basic rate of income tax.

Some rough figures provided by the Treasury put the total raised from privatisation in context. For example, the reduction in the basic rate of income tax, from 33p when the Conservatives took office to 27p after the Chancellor's last Budget, cost the Exchequer about £8.5bn, roughly half the £17.5bn taken from the sale of nationalised industries.

Basic rate thresholds have risen 22 per cent since the Government took office, at a cost of approximately £6bn to the Exchequer. On the other hand, the increase in the rate of value-added tax from 8 per cent to 15 per cent gave a net inflow of roughly £7.7bn, according to the Treasury's ready reckoner.

Privatisation has allowed the Government to reduce the public sector borrowing requirement as a proportion of gross domestic product by an average ½ per cent for the last eight years. Put another way, privatisation receipts have meant public borrowing has been £12bn lower than it would otherwise have been since the Conservatives came to power.

While the Government has always argued that the proceeds from privatisation were incidental to the main purposes of promoting share ownership and increasing industrial efficiency, Mr John Kay, Professor of Industrial Policy and Research Dean at the London Business School, points out that the desire to maximise proceeds has sometimes run in the face of efforts to promote efficiency.

Mr Kay, in a pamphlet in May, said the Government had repeatedly been advised that it would raise more revenue if it did not act to increase competition than if it did, and that the sale of the whole would yield more than the sum of its parts.

It is probably equally true that the Government could have raised significantly more revenue from each of the main sales if it had not been so concerned with increasing the number of private shareholders in Britain.

All the big privatisations have featured an immediate and substantial premium to be enjoyed by purchasers of the shares, a fact that has probably been a crucial element in maintaining the popularity of the privatisation programme.

It remains to be seen where the Government's priorities lie in its plans for privatising electricity. It is likely to be far more aware of the need to promote competition and efficiency after the storm that has surrounded the apparent deterioration in BT's service post privatisation and similar public relations problems which appear to have emerged with British Gas, the other privatised natural monopoly.

On the other hand, it has to be mindful that the queue of privatisation candidates after electricity is very short indeed and that it will not for much longer be able to rely on either an annual privatisation windfall or the future stream of profits from a substantial public sector.

London starts taxi-sharing

TAXI-SHARING started officially throughout London yesterday - although experimental schemes at Heathrow airport and at two rail stations were unsuccessful.

A Parliamentary Order ended an edict which obliged cabbies to accept only exclusive fares. Taxis offering the new service will display yellow notices.

A passenger can insist on exclusive use of the cab. Two sharing passengers will each pay 65 per cent of the fare. Up to five passengers can be taken - each paying 40 per cent.

Shoe retail sector advised to rationalise

BY ALICE RAWSTHORN

THERE ARE too many shoe shops in Britain, selling too many of the same shoes in an increasingly competitive market, according to a report on the shoe retailing sector.

The report, by Mr Nick Bubb and Mr Paul Morris, retail analysts at Scrimgeour Vickers, estimates that the number of shoe shops in Britain - presently 11,800 - needs to be reduced by 25 per cent for the sector to operate efficiently.

It also argues that the average shoe shop tends to be too small to offer a comprehensive range of products and to encompass innovative designs.

The solution, says Scrimgeour, is to rationalise the shoe retailing sector to create fewer, larger shops divided into clearly defined market sectors.

Earlier this year the British Shoe Corporation, part of the Sears Group and the largest footwear retailer in Britain, announced proposals to rationalise and redirect its chain of 2,500 shoe outlets; the George Oliver group embarked upon a store design programme after its acquisition of Timpson in the spring; and Allebone has done the same after buying most of the Focus shops from Ward White.

Two multiple retailers, Marks and Spencer and Next, have recently emerged as new forces in the footwear field, both expanding rapidly within the sector.

Scrimgeour warns that unless the specialist retailers get to grips with their problems, the bottom end of the shoe market will be poached by the discount chains, the middle market by the multiples such as M and S, while "concept chains" such as Next will dominate the upper end.

UK NEWS

Bifu may today call off action at Barclays

By Jimmy Burns, Labour Staff

THE Banking and Insurance Union may announce today that it is calling off its 16-week overtime ban at Barclays Bank amid signs that industrial action there has ceased to have any effect.

Bifu said yesterday that it had become "much more difficult" for the union to sustain the overtime ban at the bank following a decision last month by the Barclays Group Staff Union to abandon similar action. Bifu represents about 14,500 Barclays staff while over half of the bank's 80,000 workforce belong to the BGSU.

Although Bifu refused to confirm or deny indications from within the banking sector that it was about to abandon industrial action, the executive appears to have reluctantly conceded that Barclays has no intention of revising its 5 per cent offer and that further industrial action is pointless without stronger pressure.

Barclays said yesterday: "We have no further meetings planned with Bifu on this year's pay increase. As far as we are concerned the matter is closed". The bank added that the union's overtime ban was having "no impact whatsoever".

The likelihood of Bifu stepping up its action receded last Tuesday when a consultative ballot of members failed to gain support for a series of lunch-time stoppages and one-day strikes. Only 52 per cent of Bifu members taking part in the ballot voted to back a work-to-rule.

A decision on the Barclays dispute is understood to have been taken at a subsequent meeting of the Bifu executive. But an announcement has been held back in an apparent effort to minimise the damage to the union's chances of implementing industrial action in other clearing banks.

Midland Bank is facing an overtime ban by Bifu members from tomorrow over its decision to impose a 5 per cent pay increase. Although Bifu membership within Midland is substantial, the bank believes that developments at Barclays show the difficulties unions have in sustaining industrial action.

●Cheque sorting staff campaigning to protect late night workers from muggers have been threatened with suspension by Barclays Bank, Bifu said.

BICC Cables to opt out of Joint Industrial Council

BY CHARLES LEADBEATER, LABOUR STAFF

BICC Cables, the largest employer in the cable making industry, plans to withdraw from the Joint Industrial Council which sets pay for manual workers. The move could well lead to a break up of national pay bargaining in the industry.

The move will be welcomed by the Government, which has encouraged employers to move away from national pay bargaining, to allow wages to reflect regional labour market variations, as well as the differing trading circumstances of companies.

The company, which employs 7,000 staff, mainly at sites in the North West, said the move was in line with its recent reorganisation into four divisions based on different product markets.

More decentralised bargaining would allow the company greater flexiblity to tailor industrial relations and pay determination to the business needs of its divisions, BICC said. It denied the move was to allow it to set pay rates more in line with local labour market conditions, but said it would allow the profitability of the different divisions to play a greater role in pay determination.

The divisions range from a telecommunications division to the low value added business of manufacturing electrical wiring for wholesale distribution.

BICC said the industry national joint council which brings together employers and unions in the industry, had of necessity to set national rates of pay which did not adequately reflect the position of separate businesses. Companies generally made additions, through local bargaining, to pay awards made by the council.

The move could well undermine the strength of the council. BICC is the largest employer in the industry, with 3,600 manual workers, about 30 per cent of which are covered by national collective bargaining. The company also plans to decentralise its bargaining arrangements for managers.

BICC also hopes to move towards simplified bargaining arrangements, with white collar and manual unions bargaining together.

The company said that over the next two weeks it would consult the unions affected - the Transport and General Workers Union, the GMB, general union, the AEU, engineering union, Tass, the manufacturing union and ASTMS, the white collar union.

Flexibility deal impact is less than claimed, says research

BY PHILIP BASSETT, LABOUR EDITOR

CLAIMS that new flexibility agreements have had a substantial impact on British industrial relations are premature, according to an analysis of moves towards greater flexibility in industry.

The study looking at the evidence of the range and extent of flexibility agreements suggests that the evidence for the actual spread of the so-called "flexible firm" is "unconvincing."

Dr John MacInnes, of Glasgow University, says that "the evidence on flexibility in fact sustains the thesis that relatively little has changed in British management's personnel and industrial relations practice in the 1980s."

The study suggests that the "non-core" workforce has not been growing in manufacturing, and that two-third ofits growth in service industries can be attributed simply to general employment growth in this sector. It adds that in services the core/non-core distinction often rarely applies, since conditions of service for those employed in full-time, permanent work are often hardly different to those in part-time, temporary employment.

Instead of the idea of a core and non-core workforce in the same company, there may be more simply a greater labour market dualism between jobs in companies with a strong commercial interest in retaining a committed workforce, and those in companies with less specific skill requirements and poorer employment conditions.

On functional flexibility - changes in how employees do their work - it says that most of the changes are as a result of the widespread closure of large, highly-unionised manufacturing plants.

Functional flexibility, too, has costs as well as benefits for employers, with multi-skilled flexible workers being more expensive to train, needing higher quality supervision, more difficult to replace, and with greater bargaining power.

If flexibility is also associated with a move towards single-status for all employees, the study says that companies could therefore be faced with a substantial and expensive drop in the weekly working hours of their manual employees.

Dr MacInnes suggests that so-called flexibility deals are rather like the general productivity agreements of the 1960s and 1970s, and like them threaten to fail to produce improvements because what changes are promised are so amorphous.

Many flexibility deals are simply enabling agreements which set out the desire to pursue change in principle but avoid the problems about what it means in practice: "The contention (by the Treasury) that many workforces are offering 'a general commitment to flexibility in whatever form it my prove to be necessary' is far-fetched, and hardly justified by the evidence."

While the study accepts there may be isolated examples of companies operating flexibily, such as Nissan in the north-east, it says that "the history of British industrial relations is strewn with equally impressive individual examples which proved to be false dawns, such as the Fawley productivity agreements, and of individual companies with 'new' industrial relations policies which have nevertheless failed to catch on elsewhere, such as IBM."

Many of these developments have enjoyed "a remarkably short life span in the past", and the implication of the study is that the real impact of flexibility deals is likely to be similar.

The Question of Flexibility, by J.MacInnes; Research Paper No 5, Department of Social and Economic Research, University of Glasgow; £5.

UK NEWS

Kinnock extends control over policy machine

BY PETER RIDDELL, POLITICAL EDITOR

MR NEIL KINNOCK, Labour Party leader, was yesterday given the boost of an increase in his already clear majority on the party's national executive committee.

It came with the defeat of two hard left members of the committee at elections during Labour's annual conference in Brighton. The elections, which reduced the hard left to six on the 29-strong executive, left Mr Kinnock more firmly in control than ever of the party's supreme body that controls policy between conferences.

Earlier in the day he had been given the overwhelming backing of the conference for a far-reaching reappraisal of Labour policies. This will be launched today with a plea that all commitments must be re-examined in order to give the party greater appeal to the electorate after three general election defeats.

The key arrival on the national executive is Mr Bryan Gould, the party's trade and industry spokesman, and a close ally of Mr Kinnock, who has recently come to personify Labour's drive to update its policies and appeal to attract more affluent voters.

However, Mr Ken Livingstone, the former leader of the now defunct Greater London Council and a new MP, was also elected to the executive for the first time.

As a highly articulate spokesman for the London Labour left he may prove an irritating thorn in Mr Kinnock's side.

The two symbolise alternative approaches to Labour's future and their joint election reflects their personal media impact.

They produced produced contrasting statements last night. Mr Gould, who has risen from relative obscurity to places on both the shadow cabinet and the national executive in less than a year, said the result showed that constituency parties knew what had to be done to win the next general election by 'reaching out to people who wrongly believe that Labour does not represent them.'

Mr Gould's supporters saw his success as an indication that even left-wing activists accept the need for change. Mr Gould said: "I want the party to go further in the direction we have been travelling. That does not mean abandoning our policies and principles."

Mr Livingstone, obviously surprised at his success, said it was a 'clear vote' for the left to set the agenda on, for example nuclear defence policy. He said he would argue for the rank and file and the left on the executive.

Mr Livingstone overcame considerable dislike among Scottish and Northern Labour activists to win, and complained of a campaign of vilification of such force that he did not expect to be elected. Asked if he would support Mr Kinnnock, he said:"I will support policies which I think make it most likely to win the general election."

Mr Gould is now in a position to be a possible candidate for the deputy leadership of the party.

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Britons lift spending ahead of increase in earnings

BY JANET BUSH

BRITONS are increasing their spending faster than their incomes are rising, with the savings ratio - savings as a percentage of total personal disposable income - falling in the April-June period to its lowest level since the first three months of 1973, according to figures yesterday from the Central Statistical Office.

Savings were down to 8.6 per cent of total personal disposable income in the three months to June against 9.9 per cent in January-March, bringing the ratio back to the kind of levels which prevailed in the 1960s and early 1970s. The ratio started rising strongly in about 1973 but has fallen back steadily during the 1980s.

At budget time, the Treasury said it expected a further decline in the savings ratio this year despite some slowdown in the pace of consumer spending growth. It argued that the ratio had declined during the 1980s partly because, with lower inflation, households had needed to make less provision for the erosion of their past savings.

Yesterday's figures show that real personal disposable income in Britain rose by less than ½ per cent between the first and second quarters of this year to stand 3½ per cent higher than in the April to June period of 1986.

Total personal income, before deductions, rose by around ½ per cent between the two periods to reach a level 6 per cent higher than in April-June 1986.

At budget time, the Treasury forecast that real disposable incomes this year would grow by around 3½ per cent, slightly less than in 1986, reflecting some narrowing of the gap between earnings growth and inflation.

Consumer spending growth was forecast to slow to a little under 4 per cent from around 4½ per cent last year.

Provisional figures released separately yesterday by the CSO suggest that, after deducting stock appreciation, profits of industrial and commercial companies in the three months to June were little changed from the previous three months.

In the April to June period, North Sea oil companies' profits (net of stock appreciation and seasonally adjusted) were 40 per cent higher than at their low point in the second and third quarters of 1986.

However, the CSO notes that their second quarter 1987 profits were still less than half the level of the peak in the final three months of 1984.

The gross trading profits of non-North Sea industrial and commercial companies in April-June were 13 per cent higher than a year earlier, but this figure is distorted by the inclusion of profits from British Gas and British Airways for the first time.

Coal output losses higher than expected

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL lost more output than expected during the first week of the National Union of Mineworkers' ban on overtime coal production, which began on September 21, it emerged yesterday.

Before the start of the ban, imposed over British Coal's revised disciplinary code, the corporation said it expected to lose about 1 per cent of production. But figures it released yesterday showed that it lost 60,000 tonnes of output, about 3 per cent of the coal produced during the week.

The lost production was worth about £2.5m in lost sales revenue, while miners affected by the ban lost about £1m in overtime earnings.

The NUM started the ban after talks aimed at negotiating a revised disciplinary procedure for the industry broke down over the issue of what should form the final court of appeal.

The corporation yesterday stood by its insistence that industrial tribunals should form the final court of appeal.

Print union leader hails vote by Murdoch staff

BY CHARLES LEADBEATER AND PHILIP BASSETT

MS BRENDA DEAN, general secretary of Sogat '82, the largest print union, said yesterday that the vote by staff of News International's Wapping printing plant, in east London, to be represented by a union other than the EETPU, electricians' union, "opened the door" for renewed attempts by print unions to win recognition at the plant.

Staff council leaders at Wapping expect to be approached by the print unions over the next few days. But they insisted that they would require an arms-length arrangement which ensured the plant was isolated from the Fleet Street traditions of the print unions.

News International would not comment on the vote. But it is unlikely it would be willing to reach a recognition agreement with the print unions in the light of the bitter year-long dispute which followed the transfer of production to Wapping.

Several staff council leaders at the plant believe the most likely outcome of the vote is that the plant will operate without a union recognition agreements given the company's antagonistic relationship with the print unions, and the workers' apparent disenchantment with the EETPU.

Works council leaders said industrial relations at the plant had improved markedly over the last two months. They expect to conclude negotiations on a revised disciplinary procedure within the next week.

News International transferred production of the Sun, News of the World, The Times and the Sunday Times to Wapping in January 1986, after sacking 5,500 print workers, mainly members of Sogat '82 and the National Graphical Association.

Development group plans £1bn complex in Kent

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

NORTHERN England Development Associates expects to spend £1bn over the next 15 years developing distribution, *shopping leisure* and business facilities on a 2,000-acre site near Ashford in Kent.

Mr James Cookson, the chairman of the company, which has been assembling land in the area for some months, yesterday said that planning applications would be lodged with Ashford Borough Council by the end of the year.

The planned development *aims to exploit the new economic* significance that Ashford will have on the completion of the Channel tunnel. The town has been designated in the Kent County Council's structure plan as a growth point.

Earlier plans for the site, before NEDA bought the land, envisaged a stadium with capacity for 100,000 and caused local controversy.

The new plans provide for a 1m sq ft shopping centre, 1.25m sq ft of distribution facilities, an open-air auditorium, theme park, golf course, business park, conference centre and hotels.

Mr Cookson said that the development would be phased but he hoped the first stage would contain a mix of shopping, distribution and leisure facilities, in line with the demands of the local council.

"The key to this development is evolution not revolution. We expect to grow incrementally *with Ashford," Mr Cookson said.*

The most rapid returns would tend to come from a shopping centre and the NEDA intention would be to use revenue from this to finance infrastructure for other parts of the project.

Although the land is not in the Green Belt, the proposal for a shopping centre may well prove, in the planning context, the most difficult to achieve.

The Government has been taking a jaundiced view of proposals for centres of this size in the countryside and recently sent to local authorities a draft planning circular specifying that such centres should be kept in urban areas.

One of the attractions of a major shopping centre at Ashford, from Mr Cookson's point of view, is that not only would it be within reach of south London *through motorway links but* would also be able to compete for customers coming from northern France once the Channel tunnel has been completed.

Ordnance wins £64m US order

BY LYNTON McLAIN

ROYAL ORDNANCE, the former state-owned arms and munitions manufacturer bought by British Aerospace in April, has won a $105m (£64m) production contract from the US Army and Marine Corps for mortar systems.

It is the largest contract won by Royal Ordnance in the US and is in addition to previous US contracts, worth $70m to $80m, for the 81mm mortar. Other contracts for the mortar might follow next year.

Royal Ordnance said yesterday: "We are aware that there will be a future requirement for the mortar and we will bid for this."

The mortar has been bought by 34 other countries since it was brought *into service by the* British army in *1973.*

The contract will provide work for the Royal Ordnance factories at Nottingham, where the mortar is made, and at Glascoed, Gwent, where the mortar *bombs* are made.

Mr Maurice Dixson, chief executive of Royal Ordnance, said it provided a solid foundation for the increased involvement of the company "as an active partner in the US market."

The company *has already sold* its 105mm light field gun to the US Army *for use by the rapid* deployment force. Initial production quantities of the gun are expected to be *followed by* the production of the gun under licence by a US government arsenal.

Royal Ordnance is also in partnership with BMY, a US military vehicle manufacturer, in an attempt to win a contract from the British army for a new self-propelled 155mm howitzer gun.

BMY would provide the M109 vehicle and a new turret and they would be integrated by Royal Ordnance with its own *155mm gun at the Nottingham* factory.

Forestry privatisation plans shelved

BY BRIDGET BLOOM

PROPOSALS TO privatise part of the Forestry Commission and abolish controversial tax incentives on tree planting have been shelved by the Government, apparently after pressure from the forestry industry.

The proposals were produced by the Central Unit for the Environment, a think tank within the Department of the Environment, and presented to Mr Nicholas *Ridley*, Environment Secretary, late last year.

The confidential department report roundly criticised the economics of the commission and is believed to have suggested that the Government-owned body be split *into two:* one section, to be known as Forestry Enterprise, and involving the management of the commission's forestry estates, to be prepared for privatisation, with a new Forestry Authority to be set up to regulate the industry as a *whole.*

The report is also believed to have recommended abolition of the controversial tax reliefs through which wealthy investors are able to claim up to 70 per cent against the cost of planting trees and then, by changing tax schedules, pay minimum tax on the sale of the timber.

It is understood that the report's findings were discussed by a Cabinet committee involving Mr Ridley, Mr Michael Jopling, former Minister of Agriculture, and the Scottish and Welsh Secretaries, all of whom have residual responsibility for forestry.

The report is unofficially said to have been shelved but not necessarily abandoned. *None of* the departments involved would comment officially.

Prudential sets up life body with Benetton

By Nick Bunker

PRUDENTIAL CORPORATION'S recently formed links with Benetton, the Italian clothing group, *bore fruit yesterday* in an announcement that they are jointly to launch an Italian life assurance company.

To be called Prudential Vita, *it is expected to begin operating* in the spring, subject to regulatory approvals. It will be jointly owned by the Prudential, Britain's biggest life insurer, and In-Holding, a Milan-based financial services company created by Benetton as a merchant *banking, fund management and* financial services retailing operation.

In-Holding and the Prudential each plan to put around £5m into Prudential Vita, which will sell its products via a network of financial consultants.

Mr Jim Sutcliffe, general manager of the Prudential's international division, said the Italian life insurance market had been growing rapidly and *that trend was expected to continue.*

The industry had more than L800bn (£372m) in new premium income last year and has been growing at 30 per cent annually in the last few years.

Yesterday's news comes nine months after Benetton paid about L10bn to buy 27 per cent of a small Italian associate company of the Prudential, called Prudential Compagnia Italo Britannica di Assicurazione. Its stake has since grown to 50 per cent.

In January, the British group said there had been friendly *talks with Benetton* about the possibility of future business collaboration.

StyleCard to be extended

STYLECARD, the Scottish credit card *managed by Royal Bank* of Scotland, is to be marketed in England from next month.

StyleCard, with 400,000 cardholders in Scotland, will begin its English *campaign in the* north-west, where it already has 30,000 cardholders. Royal Bank expects to be covering the whole country in two years.

Stylecard's interest rates, at 2.2 per cent a month, are higher than most of its rivals.

BSC chief offers plan to cut Europe's overcapacity in steel

BY NICK GARNETT

A PROPOSAL to help Europe to *overcome its chronic* overcapacity in steel through a form of organised redistribution of the market was urged yesterday by Sir Robert Scholey, chairman of the British Steel Corporation.

Sir Robert, speaking at a steel conference in Brussels, suggested *that plant* closures should be made not just on the basis of an individual country's political or production requirements but on an analysis of markets.

"That is to say, in terms of regional markets and of the plants *that might most sensibly be* seen as the ones to provide the main service to them, having due regard to the technical qualities of those plants," Sir *Robert told the conference,* organised by the magazine *Metal Bulletin.*

As part of the cuts that EC industry ministers have been discussing to reduce the community's 30m tonnes of overcapacity, Sir Robert would like the European Commission to examine the issue from a transnational point of view.

However, he also said yesterday that fundamental cross-frontier deals involving plant closures might be too much for governments to stomach.

"It may therefore be that less ambitious arrangements, involving product exchanges, are the more practical line of investigation in the transnational context."

An example of the kind of deal *to which Sir Robert is referring* is that signed two years ago between Arbed in Luxembourg and Cockerill Sambre in Belgium which involved plant closures on both sides and *some* transfer of products.

The commission is shortly due to appoint a panel of three to look at specific plant closures which, *if agreed*, might involve the loss of 80,000 jobs between now and 1990.

Sir Robert's address to the conference displayed considerable impatience with the speed of developments

Governments regularly endorsed the *commission's* analysis of the question, he said, "but when it comes to the practical implications of this policy back home, all this seems too often to be *forgotten.*"

Car parts subsidiary in profit

BY JOHN GRIFFITHS

EDMUNDS WALKER, the car parts distribution company *bought by the former BL* Group's Unipart subsidiary for £15m in 1984, turned out to be a "big black hole" until the beginning of this year, according to Mr John Neill, chief executive of what is now called UGC.

The *long-term* loss-making Edmunds Walker (EW) required a restructuring that culminated in the second half of last year with, it is now clear, wholesale dismissals of senior management.

Mr Neill said that EW moved into profitability at the operating level just a fortnight after Unipart's privatisation presen*tations to its 4,000 employees in* January.

The privatisation deal provided the parent state-owned Rover Group (*formerly BL*) with £30m in cash and a further £22m if UGC meets predetermined profit targets and is successfully floated.

UGC last night announced its first six months' results as a private company. The figures show first-half turnover up by 11.8 per cent to £205m from £183.4m. Pre-tax profit was up by just under 21 per cent, to £5.8m from £4.8m.

On a pre-tax and interest basis, the figures show that UGC earned £6.2m compared with £5m in the previous year's first half.

Mr Neill, who insisted that the most deep-seated problems within EW were not evident at the time of purchase, acknowledged that "not many companies have made an acquisition turning out to be as *difficult* as ours of EW."

However, now that it had been integrated within UGC, the group was back on course towards a stock exchange flotation, possibly at the start of the 1990s.

The existing group could grow "organically" towards that target, Mr Neill said.

All parts of UGC were now performing above their target levels, he said, although no detailed breakdown was given in the interim results.

Lloyd's tests ships' data recorder

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LLOYD'S REGISTER, the independent ship inspection society, *has completed* tests on the world's first "black box" voyage recorder, similar to the flight recorders used in aircraft.

Details of the recorder will be announced by Lloyd's in London this week, when officials are expected to launch a campaign for the compulsory use of voyage recorders.

The recorder developed by Lloyd's Register is believed to be capable of recording data about navigation, sea conditions, systems *status*, communications, fuel conditions and cargo behaviour.

It is said to be able to withstand fire and is designed to float free *after* a sinking ship has submerged. The recorder would be located through a radio beacon.

British-registered ships could be instructed to fit recorders by the *Government, but* more widespread installation would require action by the International Maritime Organisation, the United Nations body concerned with ship *safety. That* might take years to achieve.

The voyage recorder would provide valuable information on the causes of accidents at sea such as the capsize of the Herald of Free Enterprise off Zeebrugge six months ago.

Officials say it might also have provided some clues to the *disappearance of the British*-registered freighter Derbyshire, which sank with the loss of 44 lives in the Pacific seven years ago.

A public inquiry into the loss of the Derbyshire is to open in *London on Monday, after* pressure from relatives and maritime trade unions for an investigation of claims that the ship suffered from structural defects.

Trials of the device have been *under way since 1983 on the* British ship City of Plymouth, operated by Ellerman Lines.

Ward life brings City fliers down to earth

By Alice Rawsthorn

THE INVESTMENT manager stood back proudly from the *bed he had been struggling* to make for the past half hour. The nurse shook her head, her patience wearing *thin.* "It's no good," she said, "you'll have to start all over again."

Many of the brokers, bankers and fund managers who have spent the *last two weekends* working as volunteers on the wards of St Bartholomew's Hospital in the City of London, have found folding sheets and *plumping pillows* to hospital specifications much more difficult than flirting with financial futures or unravelling the intricacies of a bulldog bond.

More than 100 high fliers from London's financial community volunteered to work weekend shifts at Barts in a project called CityCare. The project was organised by Mainstream, a charity that aims to improve services for people with disabil*ities and to encourage their* integration within society.

The volunteers not only agreed to make beds and clean floors at the hospital but to do*nate the equivalent of a day's* salary to charity. Their employers will be asked to match that *donation.* The money raised will be divided equally between Mainstream and Barts.

Uncomfortable beds apart - *one of the volunteers suggested* to Mainstream that "a few lessons beforehand in bed-making" would have been useful - the Barts patients emerged mercifully unscathed from the City's attempts at amateur medicine.

Some even enjoyed the experience. "It is nice to have someone to chat to," said Bob, who has been in the hospital for eight weeks recovering from a leg amputation. "That David who came in last weekend. He had a Porsche. Told me all about it. A lovely car, I always dreamed of having one."

To many of the volunteers, the experience was equally enlightening. Mr Malcolm Evans, a director of corporate finance at Morgan Grenfell merchant bank, admitted that a day of tidying up wards and talking to patients had made him realise "what a sheltered life we lead in the City."

Others found their day at Barts rather more daunting. Mr Jamie Berry, who runs his own asset management company, confessed to being "paralysed with fear" at the prospect of working in a hospital.

UK NEWS

Lisa Wood and Raymond Snoddy examine the takeover of Martins the newsagents

Murdoch has his say on the news stands

MR RUPERT MURDOCH, chief executive of News Corporation, is the sort of newspaper publisher who pays attention to the smallest detail. A few weeks ago on his way to the Concorde lounge at Heathrow Airport he took the time to check at the news and bookstall to see how well his five UK national newspapers were being displayed.

From now on, however, he will be able to have a direct say in how his papers are promoted in at least 1,030 newsagents all over Britain.

Yesterday, Mr Murdoch, publisher of The Times, The Sun, Today, the Sunday Times and the News of the World, went a step further in the integration of his business when a new off-the-shelf company Forcefern bought the Martins newsagent chain from Guinness for £202m.

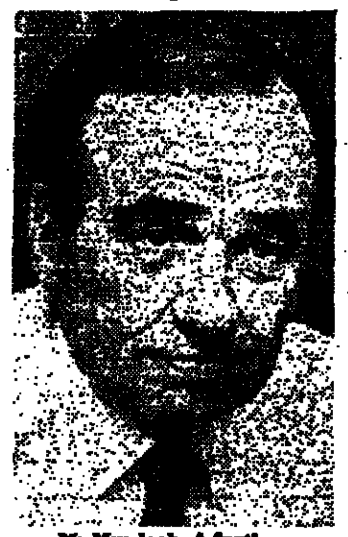
Guinness put the chain on the market in April after the new chief executive, Mr Anthony Tennant, conducted a strategic review of the group's businesses and decided to concentrate on the core drinks business. Several companies were believed to be seriously interested, including Findlays, Gallagher, the tobacco group that owns NSS, the newsagents, and a management buy-out team.

Mr Murdoch's UK operating subsidiary News International is a one-third owner of Forcefern, a consortium which includes Panfida, an Australian investment company with interests in food, property and fund management, and a private Australian citizen whose name was not being disclosed yesterday.

The move comes less than a week after Mr Murdoch suprised the City with a £250m raid on the shares of Pearson, the conglomerate that owns the Financial Times, which gave him a stake of almost 15 per cent.

The purchase of Martins is a further step in Mr Murdoch's vertical integration of his newspaper publishing interests in the UK, which last year produced pre-tax profits of more than £111m. Apart from publishing and printing his national titles at Wapping, in London's Docklands, Mr Murdoch has a minority stake in TNT, the transport company which delivers 6,000 tons of Murdoch publications a week direct by road to newsagents in London and to wholesalers in the rest of the country.

Panfida, which with its associate, Investing in Success Equities, holds 38½ per cent, is at pains to point out that it had already won the tender for Martins before Mr Murdoch expressed an interest in investing.



Mr Murdoch: A further step towards integration

Mr Ken Vere Nicoll, managing director of Panfida, said yesterday: "It will be a group run by us." He added that Mr Murdoch was coming only as a minority shareholder but conceded the American-Australian newspaper publisher had some knowledge of newspaper distribution.

"If he offers help and advice we will discuss it," Mr Vere Nichol added.

The deal was being seen yesterday as another example of Australian entrepreneurs looking for investment opportunities in the UK.

Panfida is based in New South Wales and was floated on the Australian Stock Exchange in May 1986. Profit after tax for the year ended June 30 this year was A$8.7m and the company is capitalised at about A$100m.

Mr Murdoch and his associates are buying into a fragmented CTN (confectionery, tobacco and newsagent) market where it estimated that the large chains now control more than 25 per cent of the 45,000 shops in the UK.

Martins is the largest CTN chain although W.H. Smith is the largest retail outlet selling newspapers and magazines.

Other big players in a market where small family shops are still a powerful force include NSS, Forbuoys, John Menzies and Findlays, recently bought by Mr Arundbai Patel.

CTNs, according to a report published this week by Verdict, the retail consultancy, have proved remarkably resilient in the increasingly competitive retail marketplace with newspapers and magazines accounting for 26 per cent of an estimated total turnover of £7.95bn last year.

Other than ensuring that his titles are well displayed in Martins newsagents in future, it was less clear last night what direct advantages part ownership of the chain would bring Mr Murdoch apart from its investment potential.

Several evening newspapers have in recent years started up their own newsagent chains to ensure distribution of their products. United Newspapers, for example, publisher of the Daily and Sunday Express and regional dailies, got into the business in 1980 for that reason and now has almost 250 shops. Until yesterday it was the only national newspaper publisher to own a chain of CTNs.

The company ,which expressed an early interest in Martins but did not follow it up, is wondering whether it should press on and become a leading player in the business or pull out entirely.

Mr Graham Wilson, United finance director, said yesterday: "I don't see any reason why a national newspaper publisher needs a regional newsagent chain."

Government blocks plan for management buy-out

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE GOVERNMENT yesterday overruled the plans of Aycliffe and Peterlee Development Corporation to allow a management buy-out of commercial and industrial property assets in the two new towns.

It has told Sir Michael Straker, the development corporation chairman, that negotiations for the sale of the assets should start with Helical Bar, a property company that has origins in the north but is best known for a City of London development.

The sale of the property assets is part of the process to wind up the development corporation by March 1988.

Fuller Peiser, a chartered surveyor, started marketing the property assets last May. From 15 bids a shortlist of four, including Helical Bar and the development corporation's own management team, was drawn up. Helical Bar's bid was the highest.

The development corporation recommended that the management team's offer should take precedence but Ms Marilyn Roe, Parliamentary Under Secretary at the Department of the Environment, decided there was no overriding reason why the management team's lower offer should be accepted.

The Government, in its sales programme of assets in the new towns of England, has consistently sought to obtain the highest price for the assets, except where they have been sold to sitting tenants.

Job creation agency signs China deal

LANCASHIRE'S job-creation agency has become the first British development company to sign a trade and investment agreement with China. The link-up is between Lancashire Enterprise Limited and an economic development company in Shenzhen.

Promising oil find in N. Sea by Occidental

BY LUCY KELLAWAY

OCCIDENTAL Petroleum, the US oil company run by Mr Armand Hammer, yesterday announced a promising oil discovery in the North Sea, which analysts believe could contain between 80m and 100m recoverable barrels.

It said a well drilled on block 29/6a, about 130 miles east of Aberdeen, flowed at a rate of 5,000 barrels a day. The company declined to estimate the size of the field but said further appraisal drilling was planned.

The Occidental field may prove more expensive to develop than many recent discoveries because it is some distance from producing fileds and pipelines.

The other partners in the block are BP, International Thomson, Union Texas Petroleum, Clyde Petroleum, Britoil, Enterprise, Lasmo, Canadian Export Gas and Oil, Marinex Petroleum, Fina Petroleum and Goal.

CBI consults members on poll tax alternatives

BY RALPH ATKINS

THE CONFEDERATION of British Industry is consulting its members about alternatives to local authority rates that might differ radically from the Government's community charge and uniform business rate proposals.

Businessmen around the country have been asked to respond to a confidential discussion document on various options for reforming the local government finance system. A paper is expected to be presented to the Government with the next few weeks.

The CBI said yesterday that its members had expressed considerable unease at the Government's plans, which are due to take effect in England and Wales in 1990. Earlier this year the CBI withdrew support for the proposals after ministers refused to accept that the total paid by business to local authorities should be cut by 25 per cent.

The review, initiated by Mr John Banham, CBI director-general, is understood to involve a complete rethink of local taxation. Some options under consideration would probably mean abandoning the community charge, or poll tax, while others would include it in an amended form.

The CBI said it was seeking to meet all the objectives for a reformed system set out in the Conservative's general election manifesto. That argued for a system strengthening local democracy and accountability

Project to set up Chinese cannery

A British-led consortium has won an order to supply China with vegetable seeds as the first step in helping the country to develop a vegetable canning industry.

The Hong Kong-based consortium is led by CIM International of Fareham, Hampshire.

Financial Times Tuesday September 29 1987

UK NEWS

Privately run blood bank scheme

BY PETER MARSH

A US-BASED company intends to set up what is believed to be Britain's first privately run blood bank.

The bank will charge people to store quantities of their own blood for use in transfusions, either in planned surgery or after an accident.

The blood bank, planned for the Harley Street area of London, will be run by Merus, a company that has a blood bank in Tampa, Florida. It plans to set up six more in the US by the end of 1988.

Merus, whose leading shareholders include a group of 54 surgeons involved in blood transfusion, intends to raise about $7m (£4.3m) in London to finance its expansion. That is in addition to the $2m it has needed to set up in the US.

Dominion International, a financial services company in London, is acting on Merus's behalf.

Merus also plans to offer its techniques, on what amounts to a franchise basis, to companies in other countries wishing to set up similar banks. Mr Don Evans, development manager at Washington-based Merus, said the company had received inquiries from people wishing to set up banks in Switzerland, France, Spain, Belgium, Singapore and Hong Kong.

In recent years, autologous blood banks, the name given to centres storing individuals' blood for their own use only, have gained ground in the US, where there are thought to be about 20.

People use them because of the fear of contracting diseases such as AIDS or hepatitis through the conventional transfusion service. Another argument is that patients recover more quickly from operations if given their own blood.

Under Merus's plans, the London centre would store about 10,000 units of blood - one unit is about three quarters of a pint. The blood would be frozen and stored for up to 20 years using a technique pioneered for the US armed forces.

Freezing of blood is seldom carried out in the UK. It is normally stored under refrigeration for up to 35 days.

Fees for using Merus's service would probably be similar to those in the US, where a client pays $200 (£122) for each unit and a further $16 a year storage charge.

Under certain circumstances, relatives or friends of the donor are allowed to receive some of the blood. Records are kept on computer.

Dr Lesley Kay, a UK consultant haemotologist who has advised Merus, said autologous blood banks could complement the National Blood Transfusion Service, operated under the National Health Service.

According to Dr Kay, who works at Sunderland Royal Infirmary, autologous blood supplies should be kept mainly for people who know they are going into hospital for an operation requiring transfusion, such as a hip replacement.

Dr Douglas Lee, a blood specialist who was chairman of an NHS committee which studied autologous blood banks earlier this year, said he could not argue with the principle behind such stores, although he would prefer to see such services offered within the NHS rather than privately.

Plan to privatise sport and leisure management

BY JOHN HUNT

PROPOSALS FOR privatising the management of public sport and leisure facilities, including swimming pools, were put forward yesterday in a consultative document published by Mr Nicholas Ridley, Environment Secretary. Such facilities are at present run by local authorities.

Exposing those facilities to the test of competition would, he said, enable councils to achieve better value for money and would benefit their communities.

The proposals, part of the local government Bill introduced in the Commons in June, are a development of the scheme for greater competion from the private sector in tendering for local authority contracts. Mr Ridley wants provisions for leisure and sports facilities to be added to the bill as soon as possible. He has allowed until December 11 for consultation.

The proposals would give him greater financial control over such facilities by laying down financial targets and requiring local authories to publish annual reports and accounts. The financial targets would be based on turnover rather than on rate of return on capital.

Included would be the management of sports centres, leisure centres, swimming pools, golf courses, bowling and putting greens, athletics and cycle tracks, artificial ski slopes, skating rinks and some beaches.

Mr Ridley is considering whether local authorities should retain control over policy for the privatised centres or whether to allow them to retain only the power to charge lower rates for the unemployed, the elderly and school grouups.

If the latter course is adopted it would give the private-sector managers freedom to decide their own policies on pricing, admittance and opening hours.

Appointments

Finance director for Shell UK

Mr Malcolm Raiser has been appointed finance director of SHELL UK from October 1, as an executive director on the board. He replaces **Mr Nigel Haslam**, who is retiring from the board but who will remain responsible for the development of new ventures for Shell UK and with it the relationship with a number of existing associated companies. Mr Raiser, who joined Shell in 1957, was deputy group controller in the finance division of Shell International Petroleum Company.

*

BARCLAYS BANK has made a number of senior appointments in the executive management of its UK banking operations. **Mr Geoff Miller** becomes director UK banking. He was general manager (finance and planning). **Mr Seymour Fortescue**, general manager, has been appointed director, UK retail services. **Mr Bill Gordon**, a regional general manager, is made director UK corporate services.

*

OCEAN TRANSPORT & TRADING has appointed **Mr Jeremy Sayers** as managing director of its bulk liquid storage division, Panocean Storage & Transport, from October 1. He succeeds **Mr Charles Dobbs** who is retiring. Mr Sayers, who joined Ocean in 1970, was a divisional finance and planning director.

*

LONDON & EDINBURGH TRUST has appointed **Mr Stephen H.S.Cotton** as a consultant to promote the company's interests in the German property market.

*

BAIN CLARKSON MEMBERS UNDERWRITING AGENCY has appointed **Mr Jim Gordon** as managing director from October 1 in succession to **Mr A.T.R.Nicholson**, who remains a director until his retirement at the end of the year.

*

Sir Kenneth Newman, former Commissioner of Police of the Metropolis, and recently appointed a non-executive director of Automated Security Holdings, has joined the board of the BRITISH SECURITY INDUSTRY ASSOCIATION's security systems inspectorate to become chairman of its disciplinary committee.

*

From November 2 **Mr Andrew Nash** takes over as commercial director of TAUNTON CIDER. He was marketing director of Stirling Winthrop.

*

The John E. Wiltshier Group has established WILTSHIER CONSTRUCTION MANAGEMENT, which will be headed by **Mr Michael J.Ellis**. He was with Trafalgar House.

*

Mr Christopher M.Miller has been appointed vice-chairman of MICROPHAX, Oxford. He was managing director, and is succeeded by **Mr Charles J.F.Taylor**. The company is a subsidiary of Halma.

*

Mr Charles Drury has been appointed a director of COUNTY NATWEST to head a specialist equity sales operation covering shipping and transport. He was head of the institutional department of Greig, Middleton & Co. **Mr John Walker** has been appointed an associate director with responsibility for building and developing a global macroeconomic research capability for the equity securities division. He joins from Oxford Economic Forecasting Unit, part of Templeton College.

*

ELLIS & CO., Bradford, has appointed **Mr Antony Spreckley** as company secretary and **Mr Gary Hawley** as mortgage development manager.

*

Mr Martin Morton, formerly deputy secretary of the CBI, has been appointed asistant director of the OIL & CHEMICAL PLANT CONSTRUCTORS' ASSOCIATION with a view to taking over the directorship in 1988.

*

Mr W.B.Boggs has been appointed chairman of FIELD AVIATION HOLDINGS, the Hunting Associated Industries holding company for aviation and engineering interests in North America. **Mr G.D.Teele**, president of Field Aviation company, becomes president of Field Aviation Holdings also.

*

Sir Geoffrey Pattie joins the FAIREY GROUP board on October 5. He was Minister of State for Industry and Information Technology with a special responsibility for the aerospace industry from 1984 to June 1987.

*

PEGLER SUNVIC has appointed **Mr Alan Williams** as production director.

*

BRITISH RAILWAYS has appointed **Mr John Edmonds**, director provincial at board headquarters, as general manager (designate) of BR's new Anglia region from October 19. **Mr Sidney Newey**, general manager, Western Region, at Swindon, succeeds Mr Edmonds as director provincial.

*

Mr Chris Leslie has been appointed a director of WHITEHEAD MANN with responsibility for the City and financial sector. He joins from Citicorp, where he was in charge of Citibank's corporate banking activities.

*

FINANCIAL TELECOMMUNICATIONS has appointed **Mr Robert Hayim** as an associate director, in charge of European marketing and client support. He was European director of the banking and investment group of IP Sharp Associates.

*

Mr Tim Lowden, a director of Newmarket Venture Capital, has been appointed executive chairman of TORCH, and **Mr Graeme Dillon**, managing director of CATSCO of Australia will be joining the board of Torch.

Party endorses more democratic selection

LABOUR TOOK decisive steps towards establishing local electoral colleges designed to broaden the democratic base governing the selection of parliamentary candidates at Brighton yesterday.

The block votes of leading unions ensured success for the national executive's proposals, which were carried by well over the required two-thirds majority - 4,545,000 to 1,608,000.

Doubts about the practicality of the new arrangements for maintaining trade union participation in local Labour parties and protests by constituency activists that, by making provision for postal voting, they would confer undue influence on "armchair socialists" were thrust aside.

Mr John Evans, MP for St Helen's North, the spokesman for the NEC, admitted that the proposals for widening the franchise for choosing parliamentary candidates - and reselecting sitting Labour MPs - would involve complex procedures.

But he refused to accept that the level of press support for widening the franchise in the constituencies indicated that the changes would play into the hands of newspaper magnates like Mr Rupert Murdoch and Mr Robert Maxwell.

Mr Evans insisted: "If these people could be so easily persuaded, they would not join the Labour Party in the first instance."

With the national executive refusing to indicate any preference, the alternative option to the new electoral colleges - a one-member, one-vote procedure for selecting parliamentary candidates - was defeated by 4,425,000 to 1,762,000.

In a further card vote, an attempt to maintain the status quo - stridently backed by those who secured the introduction of reselection and accompanied by frequent references to the renegade ex-Labour minister, Mr Reginald Prentice, was defeated by 4,548,000 votes to 1,851,000.

Delegate Mary Duffy: branch debates restricted to drainage and repairs

The pitfalls which some constituency parties are already experiencing in operating the democratic process were highlighted by Mrs Mary Duffy from Stockton North in a speech which won the biggest cheer of the day.

She dismissed the idea that delegates at meetings of the general management committees of constituency parties adequately briefed the branch members they were supposed to represent about what had taken place as "the biggest laugh of all."

Mrs Duffy explained: "We do not debate anything in the branches, except drainage and repairs."

She called for the extension of the franchise to be accompanied by more political education.

In her experience, while some delegates attending general management committees were all right, others were "stupid."

To a roar of approval, Mrs Duffy spoke dismissively of those Labour Party members whose height of ambition was to become mayor "and be presented to the Queen

Mr Ron Todd, leader of the Transport and General Workers' Union, underlined the dangers of a one-member, one-vote procedure, leading to the weakening of Labour's long-established links with the trade unions.

He maintained that adoption of the proposals to establish electoral colleges would avert this danger by maintaining a collective element in the selection process.

Mr Todd strongly resisted suggestions that the Labour Party would benefit from a move to an "arm's length" relationship with the trade unions.

He declared: "The two traditional wings of the movement must stand closer together and not further apart, so that our political enemies - and we have got enough of them - can play right down the middle."

Mr John Speller, of the EETPU electricians' union, was greeted with a shout of "Scab" when he mounted the rostrum to back the one-member, one-vote proposal.

He suggested that attempts to establish local electoral colleges would prove unworkable and forecast that the entire issue would have to be reconsidered in two years' time.

Mr Speller appealed to delegates to "break the habit of a lifetime" by taking a direct route to one-member, one-vote rather than embarking on a detour.

Mr Bill Jordan, of the AEU, quickly hit back when he was hissed at the start of his speech.

In a reference to the wider television audience he told his critics: "You ought to listen to me - two out of three people out there are not listening to you."

Mr Jordan, who contended that the existing reselection procedures were unsatisfactory because they were open to manipulation by minorities, said any system of electoral colleges would divide the votes of some members and multiply the votes of others.

He believed that the introduction of one-member, one-vote would legitimise the selection of Labour candidates and tell the British people that the next Labour government would be on an unshakeable foundation.

Supporting the establishment of local electoral colleges Mr Tom Burlison, of the GMB, maintained that any extension of the franchise in the constituencies must ensure a role for the affiliated unions.

Reports: PETER RIDDELL, IVOR OWEN and TOM LYNCH Pictures: ASHLEY ASHWOOD

Hattersley puts case for 'party of freedom'

THE LABOUR PARTY needed to change its attitude towards the market mechanism as part of "the abandonment of a series of venerable and venerated shibboleths," Mr Roy Hattersley, the deputy leader, urged last night.

He was addressing the Fabian Society in one of a series of conference fringe speeches aimed at stressing the need for Labour to develop a sharp and clear ideological identity.

His central theme was the identity of socialism with freedom and he argued that this involved changing attitudes towards the market.

"We cannot be the party of freedom if we are also the party of historical prejudice committed against the market mechanism and therefore in favour of state allocation, state pricing and state determination of style and quality. Nor can we be the party of freedom unless we stand firmly against the petty bureaucratic tyrannies which are inevitably associated with great organisations - public and private."

Mr Hattersley argued that for public utilities, like the monopolies in gas, coal, electricity, water, telephones and railways the most beneficial form of organisation was undoubtedly public ownership which would operate in the national interest.

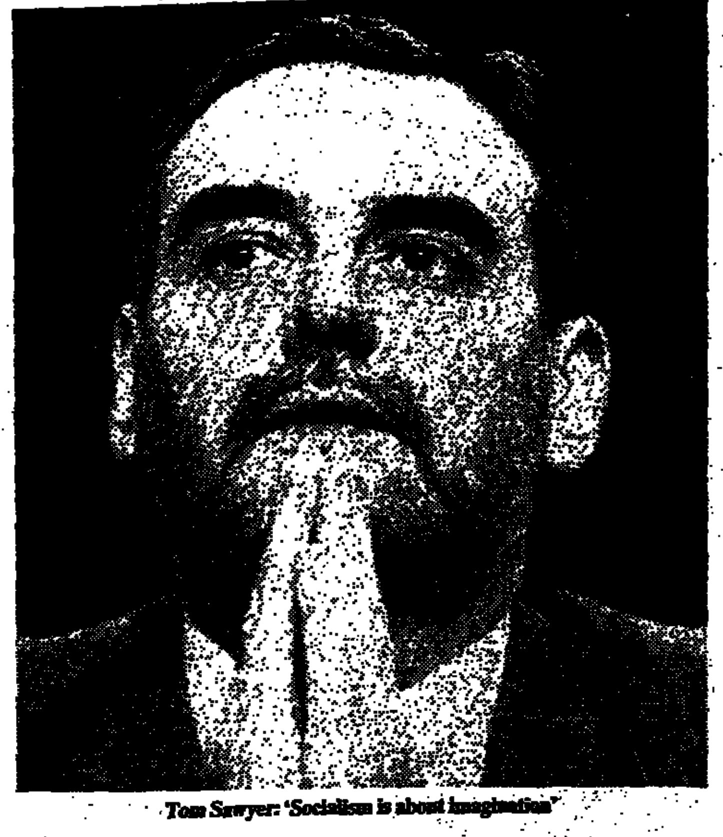
"But, for most of the economy, the market is a method of allocation of resources and determination of price which is far superior to any form of bureaucratic control."

He said that this did not preclude "social" ownership and the creation of autonomous socially-owned firms involving workers and consumers.

In his definition of freedom Mr Hattersley rejected a conservative view which he said was no more than the absence of restraint. Instead he maintained that a socialist definition involved the provision of rights to the poor and weak in the majority of the population. He said that this was unavoidably a decision to reduce the freedoms of the present favoured minority.

He argued that if Labour was to provide the pensioner with enough income to live in dignity and comfort there was no alternative but to hold back the incomes higher up the social scale. That, he said, was why freedom and equality were inextricably linked.

He said his definition required Labour neither to oppose council house sales nor complacently to confine sales in the private sector to those who could afford the full cost. The right to buy ought to be extended to the private sector and private tenants ought to be assisted with the cost of purchase.



Tom Sawyer: 'Socialism is about imagination'

Analytical architect of new model labour movement for 1990s

PHILIP BASSETT on the role played by Tom Sawyer in recasting Labour Party thinking

LABOUR's decision yesterday to review wholesale its policies and practices in the wake of its third successive election defeat, will be endorsed today in a keynote speech by Mr Neil Kinnock, the party leader. It owes something to a number of leading labour movement figures but foremost among them is Mr Tom Sawyer, deputy general secretary of the public employees' union, Nupe, who chairs Labour's home policy committee.

Mr Sawyer is in the vanguard of trying to carve out a fresh role for the movement. In the unions, he has done more than most to try to draw up a model for trade unionism which is modern, and relevant to a world of increasing non-unionism, yet eschews the "business unionism" approach of the EETPU electricians.

In the Labour Party, he is pursuing much the same aims: trying to win back for Labour the lost millions who have deserted the party in favour of the personal gains offered by Thatcherism.

To the left, this smacks of revisionism, abandoning socialism in favour of electability. Though he is a left-winger, the suspicions of the far left about Mr Sawyer were made clear yesterday in the heckling and jeering from left-wing constituency delegates as he replied for the party executive to the debate on how Labour moves forward from its third general election defeat.

How Labour does that - the policy review and series of "Labour listens" sessions the party now intends to mount - owes much to Mr Sawyer. Indeed, Moving Ahead, the party document which will be the blueprint for Labour's moves now, and which also provides the slogan for this year's conference, is based heavily on policy papers drawn up by Mr Sawyer.

He denies emphatically that the reappraisal of the methods of achieving socialism which he is advocating are an abandonment of principle, and of objective. "For me socialism has always been about imagination," he told the conference yesterday. "About a vision of what our country could be like to live in if our skills and our wealth were harnessed to social need, if our individual talents and potential could be liberated and fulfilled, and if we could replace deference with dignity and fear with security."

Now 44, Mr Sawyer was born in Darlington, the son of a railway workshop labourer and a domestic servant. At 26, when an engineer, he became a full-time Nupe officer in the north-east, rising to divisional organiser before he took up his present job in 1981.

Careful and analytical, passionate and principled, Mr Sawyer is now a key figure on Labour's national executive, and a vital adviser to Mr Kinnock. Many outside the union say they are more impressed by him than by Mr Rodney Bickerstaffe, Nupe's charismatic general secretary, but Mr Sawyer denies charges of any rift or rivalry between them. The two are close personal friends as well as professional colleagues.

Hard-left members of the Campaign Group have attacked Moving Ahead in detail arguing that it is going for the wrong targets, but Mr Sawyer believes not only that Labour has to reclaim skilled workers, trade union members and homeowners, and those in the south - but that it will do so. "Labour will win the next election," he told yesterday's conference.

If it does it will be due in no small part to Mr Sawyer and the programme - much of it his - adopted by Labour yesterday.

GMB set to use its muscle to force party to change

THE GMB general union, the third biggest in the UK and an important financial backer of the Labour Party, was ready to use its muscle to force changes within the party, Mr John Edmonds, the union's general secretary, said yesterday.

"A Labour Party that always comes second is no good to the GMB, no good to GMB members," he said during a debate on the general election campaign and the document, Moving Ahead, in which the national executive has called for a wide-ranging policy review.

Supporting the NEC document, Mr Edmonds called for "a programme of reform with a proper timetable and a target date for completion well before the election."

Reminding delegates of the GMB's financial support in the last election campaign, he insisted: "We are not going to throw away our members' money on the sort of time-wasting nonsense that we have had to put up with in the past - self-indulgent position papers with no conclusion, policy statements with no timetable for action, reorganisation plans that just decorate pigeon-holes."

He called on all sections of the party to share "the self-effacing commitment to victory" exemplified by the low-profile role of union leaders during the last election campaign. Otherwise, "the GMB has a little leverage and this time, be in no doubt, we are going to use it."

The NEC document was endorsed by a large majority after a low-key debate in which most speakers agreed on the need for a policy review, but insisted that it must be based on the party's traditional values.

Delegates heavily defeated two motions largely backed by constituency parties - one incorporating the "no purges" argument of Militant supporters, and the other calling, among other things, for MPs to disrupt parliamentary business.

Mr Tom Sawyer, deputy general secretary of the National Union of Public Employees, replying to the debate for the NEC, rejected arguments from the left that the document sought to retreat from socialism. "We come to this conference not to bury our socialism, but to praise its ends and reappraise the means to achieve those ends for the 1990s and beyond."

Studies in concentration during the debate: Dennis Skinner and Larry Whitty

In the south, Mr Sawyer said, Labour had to "reach a generation, many of whom have never experienced the community of the Labour heartlands or the solidarity of trade union membership.

"We have to win over young people who have no memory of Labour governments and no affinity with our traditions. We have to listen to what Labour's missing millions have to say and make some real connection between our ideals and their aspirations."

He insisted that the party would not deserve to win the next election, if it continued to be seen as divided, and if its message was drowned out by "those who prefer to promote their own opinions and their own personalities at the expense of our collective advance."

Mr Larry Whitty, the party's general secretary, said Labour had lost badly because it failed to convince people that it could deliver prosperity or even maintain current living standards.

Not only had the party failed to convince those suffering deprivation, it had not appealed to a "middle group," who had achieved a limited prosperity which was vulnerable to economic factors, such as a rise in mortgage rates. The pro-Conservative media had persuaded such people that they were more vulnerable to a Labour government than a Tory one.

The opposing view was put by Mr Pete McNally (Coventry South East), who accused party leaders of listening too closely to those newspapers which opposed Labour and of having "no faith in the willingness of our class to change society."

He pointed to big general election swings to Labour in areas such as Coventry, where strongly socialist policies had been advocated, and Liverpool, where the city council had carried out extensive expansions in public services. He insisted that Labour was "the party of the socialist transformation of society."

Ms Elizabeth Travers (Basingstoke) was "appalled" at the NEC opposition to the motion encouraging MPs to use disruptive tactics while "every minute of every day, working people's lives are disrupted by Tory cuts."

Mr Eric Heffer, MP for Liverpool Walton, called for radical policy changes to be deferred until after a thorough analysis of why Labour did badly in some areas, but did well in places such as Liverpool, where his majority had risen sharply. "Our party can win the next general election if we keep our roots and if we keep close to working people."

However, Mr Rodney Bickerstaffe, the general secretary of NUPE, rejected "the proposition that the Labour movement is some sort of dinosaur that never checks the relevance of its policies, never plugs the gaps, never faces new challenges. It is not so."

He said new policies must not simply be "the pick of the polls, but should be rooted in Labour's traditional collective values."

Mr Giles Radice, MP for Durham North, called on the party to produce a new statement of aims before any detailed review of policy. Such a statement should "demonstrate our commitment to freedom, opportunity and choice, as well as social justice and community."

Warning over negative soul-searching

PLUNGING INTO a new round of diatribes over the reasons for a third successive general election defeat could leave Labour "permanently labelled with the tag of incredibility," Mr Sydney Tierney, the party chairman, warned in his opening address.

He urged delegates to avoid falling into the trap of sour internal negative inquests.

Mr Tierney, president of the shopworkers' union, Usdaw, said: "We cannot afford the luxury of being constantly transfixed in the battle for the party's soul because we run the dangerous risk of losing the whole body of our wide political support."

Mr Tierney departed from his prepared speech to underline the growing recognition of the stature and appeal of Mr Neil Kinnock, the Labour leader.

He said: "The general election campaign revealed his full potential, and his prospects as a future Prime Minister were greatly enhanced."

Mr Tierney claimed that it was already possible to "count on that event as being subject to just a short delay."

He acknowledged that mistakes had been made during the general election campaign and identified taxation and the economy as particular problem areas.

Mr Tierney emphasised the need not only to produce the right policies but to establish and project them well ahead of the next general election.

He stressed: "Given agreement on policies there must be more fighting for what a majority agree is right and less fighting about who is right."

Extra cost of poll tax put at £350m

THE INTRODUCTION of the poll tax, or community charge, would cost at least an extra £350m in administration in England and Wales, Dr John Cunningham, the shadow Environment Secretary, claimed last night.

Speaking at a conference fringe meeting, he cited a report on the introduction of the tax in Scotland to argue that there would be increased computer costs of £100m, a further £200m from the expense in employing 15,000 new staff to operate the computers and to police the poll tax register, while the additional office accommodation would cost at least another £50m.

Speaking at the same meeting, Mr Donald Dewar, the shadow Scottish Secretary, said the Government had laid local democracy low

NEC poll strengthens support for Kinnock

SUPPORT for Mr Neil Kinnock, the Labour Party leader, on the party's national executive committee strengthened yesterday when NEC election results were announced at the conference.

Though individual NEC members can and do vote differently on specific issues, Mr Kinnock has been able to rely on a rough majority on the executive of about 20-6, or slightly higher at times, given the apparent unpredictability of one member, Mr Tam Dalyell, MP for Linlithgow.

Unsurprisingly, Mr Dalyell lost his seat yesterday in the constituency section. Mrs Audrey Wise, the left-winger, lost her seat, and Mr Bryan Gould, a Kinnockite and Mr Ken Livingstone, who will mostly oppose Mr Kinnock, were voted on.

There was no change in the political balance in the trade union section, though two newcomers replaced departing representatives of the NUR railwaymen and Cohse health workers.

Mr Kinnock made his gains in the women's section, which saw the hard-left Ms Joan Maynard and Ms Margaret Beckett, a left-winger who sometimes supports Mr Kinnock, both defeated.

The full list of those elected to Labour's national executive committee is as follows, with votes in brackets:

Trade union section: Eddie Haigh T&GWU (5,446,000); Neville Hough, GMB (5,241,000); Syd Tierney Usdaw (5,183,000); Jack Rogers Ucatt (5,122,000); Eddie O'Brien Sogat '82 (4,961,000); A.L. Dodds NUR (4,783,000); Ken Cure AEU (4,683,000); Tom Sawyer Nupe (4,596,000); Gordon Colling NGA (4,476,000); Tony Clarke UCW (4,446,000); S.C. O'Kane COHSE (4,142,000); Eric Clarke NUM (4,033,000). Twelve members elected.

Socialist Co-Op and other organisations: John Evans NULSC (39,000).

Constituency Labour Parties: David Blunkett MP, Sheffield Brightside (466,000); Tony Benn MP, Chesterfield (439,000); Dennis Skinner MP, Bolsover (394,000); Ken Livingstone MP, Brent East (385,000); Bryan Gould MP, Dagenham (344,000); Jo Richardson MP, Barking (326,000); Michael Meacher MP, Oldham West (321,000). Seven members elected.

Women members: Joan Lestor MP, Eccles (5,439,000); Diana Jeuda Usdaw (5,145,000); Gwyneth Dunwoody MP, Crewe (3,947,000); Renee Short, nominated by Holland with Boston Constituency Labour Party (3,389,000); Anne Davis NULSC GMB nominated (3,274,000). Five members elected.

Treasurer: Sam McCluskie NUS (5,542,000).

Militant Tendency loses out in Labour's youth organisation

DELEGATES approved changes in the party's youth organisation designed to end domination of the Labour Party Young Socialists by supporters of the Militant Tendency.

LPYS supporters cheered the spirited defence of their organisation by delegates including Mr John Allam, the LPYS national chairman, and there was noisy heckling of Ms Diana Jeuda, who summed up the debate for the national executive committee.

Mr Dave Nellis, the pro-Militant MP for Coventry South East, intervened angrily in the debate to complain that neither he nor any other MP had been called to defend LPYS, and engaged in heated exchanges with members of the platform when he was again denied a hearing.

Delegates approved by large majorities changes to the party's constitution replacing the LPYS regional structure with new regional youth campaign committees and reducing the upper age limit for LPYS or YCC membership by three years to a member's 23rd birthday.

Ms Jeuda said the LPYS membership of 7,000 - an average of just over 10 per constituency - was "laughably small, a number which is a disgrace to our movement." Many young party members preferred to work directly through the constituency than be involved in the LPYS.

She blamed the problems on the LPYS's "narrow sectarian approach, the bureaucratic meetings." Many of its members were "more interested in their narrow ideologies than offering up the opportunities for young people to campaign in the way they see best."

If it was to involve young people and win their support "our youth movement must cast aside the tuppenny ha'penny revolutionary slogans and start to address the problems and issues that concern young people." The way the youth movement worked was just as important politically as the message it was putting across.

As she was heckled by some delegates and from the visitors gallery, Ms Jeuda observed that it was "interesting that the LPYS at this debate does not like listening and is not prepared to hear things it is not in agreement with. That is why we need a broader, better-based youth movement."

Mr Allam told delegates: "No other generation faces the wrath of the Tory Government like the youth of this country, conscripted into the death traps of the slave labour schemes or forced into low-paid jobs."

He argued that young people would not join Labour under the new structure, which he said would be controlled by much older trade union officials.

He complained that the NEC had pushed ahead with the age limit cut, in spite of the opposition of 85 per cent of the organisations consulted.

Ms Shireen Blackall (Southwark and Bermondsey) said LPYS had "a proud record of fighting" for young people. The LPYS supported the party's national youth campaigns committee - set up before the general election - but regarded the further reforms as "an attack on LPYS."

However, Mr Neil Usher, the chairman of the National Organisation of Labour Students, poured scorn on the alternative he said LPYS had put forward, offering the much larger NOLS eight delegates alongside a potential 650 from LPYS in a new national body.

Ms Lesley Smith (Islington South and Finsbury) said Labour had not made its general election gains by selling Socialist Youth - the LPYS newspaper - or "condemning Neil Kinnock, though a secton of LPYS did and that's what LPYS is known for."

Comradely hard-core factions face up to a brave new cellular world

THE WESTERN world held its breath yesterday as one of earth's last and most traditional hardline Marxist parties began to edge nervously down the path of glasnost and perestroika.

Nobody doubted that the unknown faces controlling the elite politburo, or national executive committee, meant business. But there had been some concern that, as always in the raising of other historic wrecks, mere exposure to the heady oxygen of fresh ideas could lead to complete disintegration in factionalism and infighting.

That is to underestimate the courage and skill of the party's dynamic young leader. Under the guidance of Comrade Neil Kinnock, the Labour conference, as the plenary session of the policy-making central committee is formally known, appeared yesterday at least to be holding together.

For those readers who in recent years have been too busy with bull markets, property prices or simply hanging on for directory inquiries, a brief recap on the highly secretive world of Labour politics may be necessary here.

Mr Kinnock, it will be remembered, emerged a while back as the successor to a long series of hard-nosed, deeply conservative party chiefs. The academics remind us that he came from an obscure region of the country, had held no major office and was all but unknown to the public at large.

On top of these obvious advantages, Comrade Kinnock also had the quite unprecedented bonus in party circles of an attractive young wife, full of opinions of her own and not ashamed to dress smartly in front of the masses.

In a number of whistle-stop visits to the country's decaying cities and factories, the new leader urged workers to reform. He pleaded with them to surmount their addiction to buying council houses and filling in share applications and get down to building a socialist Britain.

But it was not to be, and in June this year wide-scale civil disobedience finally forced the drastic and disciplined rethink that comes to a head this week.

Like other socialist leaders before him, Mr Kinnock appears to attribute much of the party's problems to the disastrous electoral performance of its economic policies - unchanged for decades - and the complacency of entrenched party bosses.

Sympathetic observers are concerned, however, that if he pushes too hard for rapid change reactionary forces may oust him from power. The radical policy document, Moving Ahead - itself a wholly revolutionary concept for Labour - promises a full-scale policy review.

But on some key issues, defence, for example, the leader has been careful not to alienate powerful figures in the unilateralist establishment pledging them, for the moment at least, his full support.

Kinnock has done a great deal already, however, to present an acceptable face to Western public opinion. This week, for instance, he is staying in a five-star, post-modern hotel, fully equipped with atrium and off-hand waiters with name tags.

The conference hall itself is crowded with enterprising stalls advertising the wares of newly privatised companies, health schemes, the Channel Tunnel and other fashionable share issues.

Furthermore, sniffer machines, used by security staff to hunt explosives, have been triggered by delegates smelling of various cheaper brand soaps and deodorants - a lesson perhaps in the virtues of good taste and consumer choice.

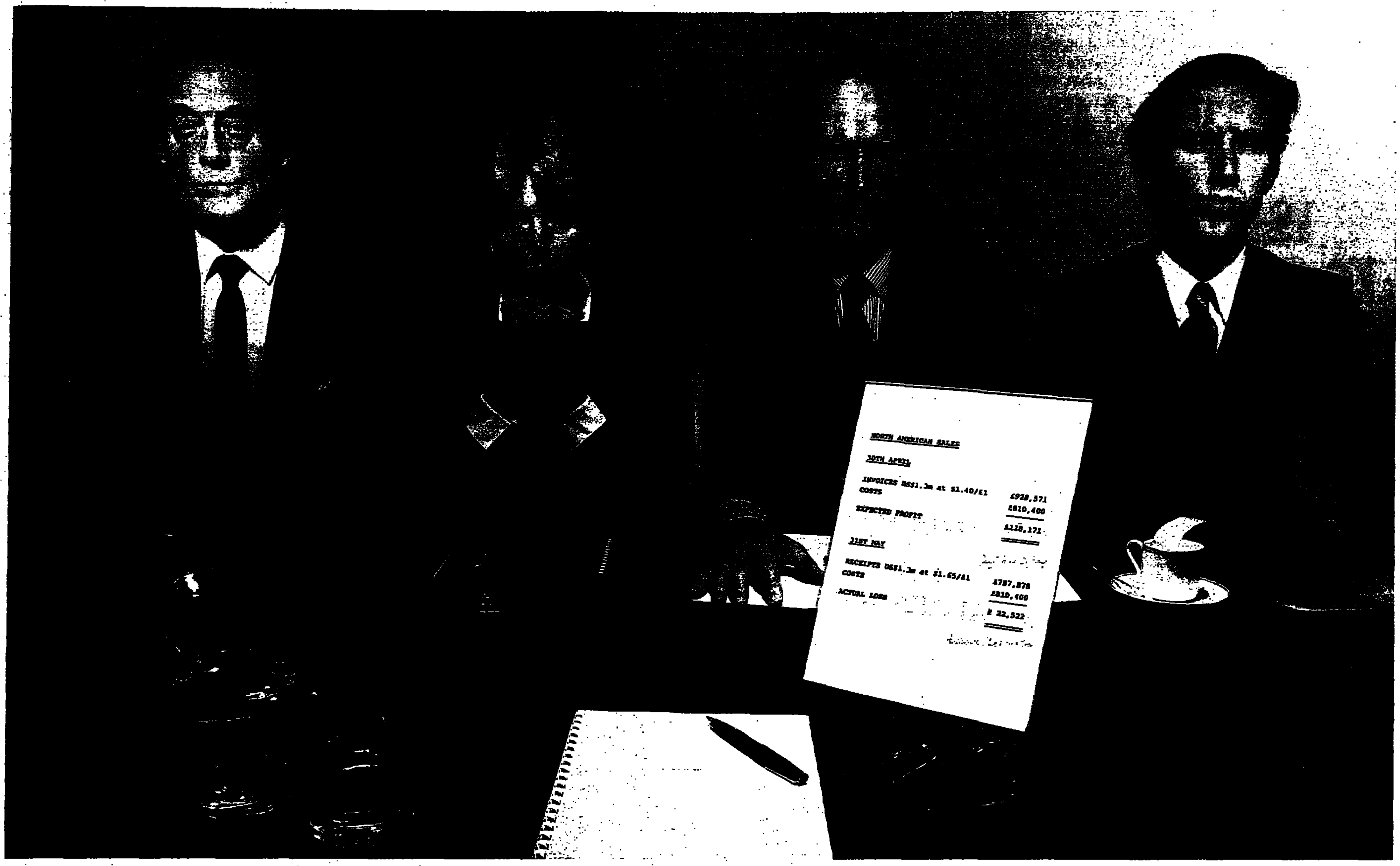
Meanwhile, on the platform unknown apparatchiks dressed in double-breasted suits explain that the reforms are aimed no longer simply at the man on the Clapham omnibus, but also at the modern Briton conducting an inside deal on his cellular telephone as he carves you up in the company Porsche.

Some sceptics in the Western capitalist press still remain dubious about Labour's ability to adjust to the new realities. And several delegates from the floor appeared uneasy with the stream of constructive self-criticism coming from the platform.

"Yes, we have to put our policies across well, but we need some policies to put across," complained one hard-core traditionalist.

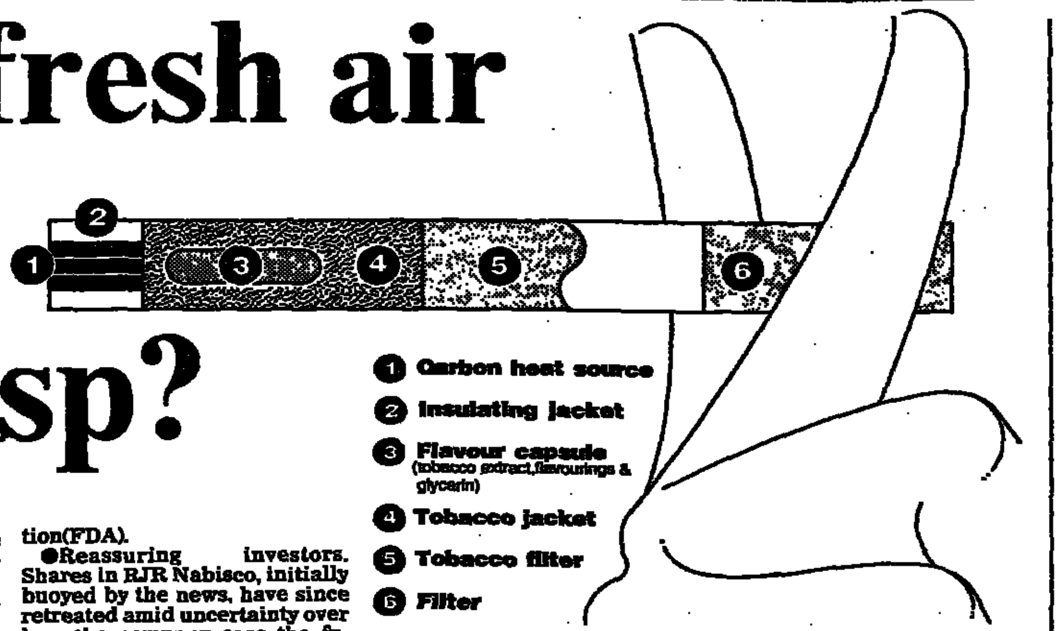
Some old-time party members will never learn.

IVO DAWNAY



TECHNOLOGY

A puff of fresh air or is it the last gasp?



By Gordon Cramb in New York

A CIGARETTE that does not burn tobacco may reach the market next year, developed within the main body of a US industry for which the product could represent anything from a last gasp to second wind.

This month's announcement by RJR Nabisco, which ranks as number two in the US tobacco business, spoke of a new technology brand, yet unnamed, with a carbon heat source in the tip. Lit in the normal way, this would release nicotine through warming rather than combustion. The claimed result: no ash, no tar, and much less smoke in the surrounding atmosphere.

Can it give the cigarette market new staying power in the way achieved by the introduction of the first filter tips on RJR's Winston brand in 1954? Or will it end up, if brought to national distribution at all, as a fringe product with an appeal as narrow as chewing tobacco or snuff?

Alternatively, like low alcohol lager, will it instead carve out a respectable portion of the market - at the expense of established brands, but perhaps checking an overall market decline?

The company's Reynolds Tobacco unit, which has developed the product over the last several years at its extremely secretive research base in Winston-Salem, North Carolina, is not offering answers to any of these questions. Of its market expectations Reynolds will say only that, in the words of Edward Horrigan, the divisional chairman, the new cigarette should prove "a major alternative that expands the options currently available to smokers."

Although cigarette use has been declining for the past five years, a quarter of all adult Americans still smoke. Set against that is a lobby which during that time has had notable, if long-fought, success - particularly in barring cigarette use in enclosed public places. At the same time, the tobacco companies have won favourable rulings in a series of product liability suits this summer.

Analysts remain divided on the impact of the Reynolds product in a market environment as uncertain as this but, the initial excitement over, they generally agree that the company faces a struggle on several fronts.

To establish it as the leader of a new generation of cigarettes the group will have to go a long way towards:

●Maintaining its head start. The carbon filament source is certainly a new application, and Reynolds has applied for a swathe of patents to defend its technology. But alienating its industry peers would cause different problems.

Pressure to see if the product falls into drug catagory

●Satisfying smokers. Unlike "light" lager varieties, which broadly keep the taste and appearance of the product while removing much of its effect, the new cigarette will function in an alien way - extinguishing itself after several minutes, just as long and white as when it started.

●Keeping at bay the anti-smoking lobby. One of the main benefits is claimed to be a reduction in the amount of smoke which enters the immediate environment. Worries are being raised, though, about changes in the composition of what remains.

●Securing approval from federal authorities. The product will be taxed as any other cigarette and labelled in accordance with the Surgeon General's stipulations. But new compounds not found in ordinary cigarettes, and the way in which the nicotine itself reaches the user, may bring Reynolds up against the US Food and Drug Administration(FDA).

●Reassuring investors. Shares in RJR Nabisco, initially buoyed by the news, have since retreated amid uncertainty over how the company sees the future of its tobacco business as a whole.

"Like all cigarettes, this product is composed of tobacco rolled in paper," Reynolds's skimpy 2 1/2 page product fact sheet begins soothingly. It has, in fact, just two main components which are new. These are described as the highly refined carbon heat source, the exact arrangement of which the company does not elaborate on, and a so-called flavour capsule composed of tobacco extract and glycerine as well as unidentified additives.

Reynolds has adopted a proprietorial posture towards the technology employed, intimating that it has disclosed this much only because rumours were beginning to leak out that something of the kind was on the way. But Kurt Feuerman at Drexel Burnham Lambert is one analyst who is willing to guess that its real view of competition may be more relaxed.

Rather than go too far out on a limb, he suggests, the company has made the disclosure in order to allow others in the industry to get going on matching products. "They are all very chummy, and their prices go up pretty much together every six months. Doing this alone might make Philip Morris angry and it could stop making those price rises," he says. Morris, which produces the brand-leading Marlboro, has given no response to the Reynolds plan but is thought likely to be at least exploring something similar.

Although Reynolds is vague on timing, industry watchers believe the new cigarette will be ready to start localised test marketing by early next year.

Those whose livelihoods largely depend on selling cigarettes express admiration for Reynolds but are not keen to forecast what position in the market the new cigarette will find.

Malcolm Fleischer, managing director of the Retail Tobacco Dealers of America, the tobacconists' trade association, describes the product as "a daring innovation, and a move in an unprecedented direction which these people have clearly given a great deal of thought." He declines to predict the consumer response.

An understandably wary reaction has come from the lobby to curb smoking. Clara Gouin, who for the past 16 years has headed the Group Against Smokers' Pollution (GASP), which campaigns specifically against "passive" smoking, goes so far as to say: "If it reduces the ambient smoke, that is a step in the right direction."

In the first year marketing could cost up to $100m

However, it would not be welcomed in areas which are already smoke-free, and she sees the further threat that an incomplete combustion process might release more carbon monoxide into the air.

Reynolds, which says that toxicological tests are continuing, describes the content of the exhaled smoke as at least 90 per cent glycerine and water. It retains less than one in 10 of the compounds found in ordinary cigarette smoke, and even those are in lower amounts. There are two exceptions however. Nicotine and carbon monoxide are both there "at levels comparable to fuller flavour, low tar cigarettes."

Activists will also be pressing the federal regulatory authorities to examine closely the capsule which the cigarette embodies for anything which would merit classifying it as a drug. It would then fall under an entirely different and more rigorous framework of approvals and licences.

While its contents remain unknown, Reynolds is thought to have chosen constituents with avoiding this pitfall in mind.

However, any nicotine which comes from the capsule rather than the leaf tobacco rolled around it could also bring it into the drug category from which cigarettes are exempt.

Glycerine is also a less than familiar quantity when drawn into the lungs. Although as a substance it appears on the US Government's "generally recognised as safe" list, Reynolds says it is conducting animal tests to see its effects.

Only then will the scale of the RJR Nabisco group's commitment to the project become measurable. Analysts believe that serious national promotion and marketing could cost as much as $100m in the first year, equivalent to perhaps a tenth of the company's advertising budget for tobacco. Research and development funds being laid out now would be small by comparison.

The brand would have to sell at a 10 to 15 per cent premium to regular cigarettes - not only to pay for its more expensive ingredients but to put it at the socially more responsible end of the market. Feuerman of Drexel observes: "A lot of people feel guilty about smoking in public. It could actually become a status symbol."

If it does, Reynolds may have bestowed on the Western tobacco industry its greatest hope yet of outlasting the 20th century.

WORTH WATCHING

Edited by Geoffrey Charlish

OCR shows strength of character

OPTICAL CHARACTER recognition software called Read-Right, written by OCR Systems of Philadelphia in the US, can be used in conjunction with the Hewlett Packard ScanJet optical scanner to read many kinds of typed or printed text into an HP computer or the IBM equivalent.

The program can read type where the lines do not run straight across the page and where type founts are mixed within the same line. Paper misalignment in the scanner can also be accommodated.

Available in the UK from Protek of London, the software costs £995. It should prove useful where different kinds of document have to be fed into a computer and the alternative would be re-keying the material on the computer keyboard, with the associated risk of error. A likely application will be in desktop publishing.

Standards call for collective wisdom

ONE OF the well known ways of getting important standards established in the electronics industry - that of being a large company and simply using market force to impose your own developed standard - is less likely to work in future.

That is the view of John S. Mayo, executive vice president of AT&T Bell Laboratories, who speaking in Houston, Texas recently, emphasised the need to apply collective wisdom, particularly in communications standards.

He said he regretted that international standards work seemed to be taking longer and longer because more and more parties with vested interests were involved. But he predicted that the industry would increasingly balk at the alternative, in which a major vendor established a technology-driven standard simply by introducing products, after which smaller vendors had to fall into line.

Argonne's quest for super chain

A TEAM at the Argonne National Laboratory in the US has been looking at the fundamental structure of the superconducting material yttrium-barium-copper oxide. It has found that copper and oxygen atoms can exist both as two-dimensional planes or as simple chains, but that the presence of the chains is crucial.

To date, claims Argonne, it has been unclear which structure is the most important. Now work will be aimed at making these chains more perfect because the more complete they are, the higher the superconducting temperature becomes.

Quicker way to run up a ladder

LADDER MAKERS are offered a new machine by Redman Engineering in the UK which is able to pierce, at high speed, the rung retaining holes in both side members of the ladder at the same time.

The machine can deal with a 17-rung ladder in less than one minute and costs under £25,000.

Redman claims that such devices are currently being imported into the UK at about £90,000. Avoiding such expense, most ladder makers have therefore been using two single-sided piercers (at a total cost still exceeding £25,000).

How GE Fanuc has gained rapid control

GE FANUC Automation, the US/Japanese company which specialises in industrial control equipment, has introduced a computerised machine tool controller which is faster and more accurate than anything the company has produced to date.

Using multiple 32-bit microprocessors, the new Series 15 controller can achieve machine command processing rates up to 10 times faster than those of typical controllers on the market. Machining speeds up to 100 metres per minute are possible, with an accuracy of one micron (millionth of a metre).

GE Fanuc has reduced the size of the controller by using custom LSI (large scale integrated) chips and surface mounting on the printed circuit boards. Capable of a good deal of automatic machining activity, the controller is also equipped for the 'factory of the future' with a variety of communications abilities including General Motors' MAP (manufacturing automation protocol).

British Gas dials into BT network

BRITISH TELECOM has supplied one of its largest private communications networks to British Gas Southern in a £2m deal which will allow the user to concentrate most of its internal telephone, mobile radio calls and data communications over a single, digital system.

The system, which uses 21 microwave radio links for the backbone connections, will also carry gas pressure and flow data from telemetry systems.

BT says it has built in a high level of security using cable-based Megastream systems that will take over from the microwave links in the event of radio equipment failure.

Philips sets off on a grand tour

THE UK Government's Department of Trade and Industry has commissioned Philips, the Dutch electronics group, to make and operate a touring demonstration which will visit smaller companies throughout Europe in an attempt to get them to use modern electronics manufacturing methods.

The vehicle will contain a complete automatic assembly line for printed circuit boards, including computer aided design, screen printing, surface mounting assembly (of which Philips is a major supplier of machines), soldering, testing and robotic handling.

Contacts:

Protek: London, 245 6844. AT&T Bell: US, (201) 564 4260. Argonne: US, (312) 972 5584. Redman Engineering: UK, 0793 616160. GE Fanuc: UK office, 08956 31180. BT: UK, 726 4444. Philips Radio Communication Systems: UK, 0223 358985.

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Though there are three international unit trusts offered for sale, it is likely that many investors will choose just one trust, the International Growth Trust, because it combines an appealing balance of security and risk – the "middle line" investment.

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WHO ARE THE MANAGERS? *The Managers and Registrar to the Trusts are Royal Life Fund Management Limited,* (Registered Office P.O. Box 30, New Hall Place, Liverpool L69 3HS. Registered No. 1609627).

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MANAGEMENT: Small Business

Italian small business

A little help on the side

Alan Friedman reports on the wide range of fiscal advantages which back up the entrepreneurial culture of one of Europe's most succcessful economies

"THE ITALIAN LOVES the new and loves to take risks. If an Italian small businessman sees a new piece of automated machinery, even if it is expensive, he wants it."

Franco Muscara, the president of the small business division at the Confindustria industrialists' association in Rome, is convinced that his organisation's 100,000 small company members are among Europe's most courageous investors in capital equipment. Only later will he admit that they are able to be so brave because they have the advantage of highly subsidised medium-term credit from state-owned banks. And only later will he begrudgingly admit that there have been signs of change in recent years among British entrepreneurs as well as in Italy.

Now, however, he recounts a typically Italian anecdote which casts Britain in a poor light: "On a recent trip to the UK I led a delegation to visit a textile company in Liverpool. The manager there showed us a piece of machinery that he said was 50 years old and still functioned well. We Italians went away scratching our heads and saying that the machinery should be in a museum and why hadn't the British entrepreneur replaced it with a more modern and cost-saving device."

The answer to Muscara's rebus may have something to do with cultural differences between Britain and Italy, but it also has a great deal to do with Italy's flexible accountancy rules. Italian companies, big and small, have some of the world's most generous depreciation allowances. The ability to offset expenditures very quickly not only acts as an incentive to entrepreneurs, but keeps their tax exposure down as it often produces vastly understated profit figures.

The other side of the coin is that while Italian small businesses do tend to make bolder investments than one might imagine possible for companies with just a few million pounds of annual turnover and a few dozen employees, they do so at the risk of becoming chronically undercapitalised.

The strong family spirit in Italian business makes most entrepreneurs extremely reluctant to "show our books" to outsiders and to dilute their equity control by bringing in non-family shareholders. Luciano Benetton, the founder of the eponymous clothes company, waited 20 years before diluting his family's 100 per cent with a share issue on the Milan bourse, at which point his company had more than \$600m of annual sales. Benetton has fewer than 2,000 employees on its books yet most of its clothes are produced in small pieceworking firms in northeastern Italy by a further 8,000 workers employed by around 150 small businesses, mainly family-owned.

Italian small business has grown not just because of the legendary entrepreneurial drive in Italians' blood, but also as a result of fiscal incentives and the organisational and geographic structure of Italy's manufacturing industry.

For example, Italy's machine tools manufacturing association - UCIMU - has battled successfully for legislation offering tax incentives to companies that buy automation machinery. And the state-owned Mediocredito Centrale, a medium-term financial agency that offers subsidised loans, has been a key feature in the growth of small business.

An entrepreneur wishing to invest in modern machinery for his business can generally obtain loans from Mediocredito Centrale and its regional offshoots at a rate of interest of less than half the prime rate. That means a precision engineer can install new lathes with loans for which today he might pay 5 or 6 per cent instead of the 11 or 12 per cent commercial interest, with repayments spaced generously over five years.

Despite this, Muscara laments that "we have a medieval, state-dominated banking system and a modern industrial structure". And perhaps more fairly, he laments the lack of venture capital in Italy.

Even the new generation of so-called Italian merchant banks may not be able to provide funds to truly start-up businesses. These merchant banks, authorised by government decree last February and designed to stimulate small and medium sized business ventures, are essentially financial investment vehicles that take equity stakes in medium-sized companies with an eye to nurturing their growth and eventually bringing them to the stock market.

So how do Italy's small companies manage to do so well? In the view of Professor Guido Rey, head of the ISTAT government statistical office in Rome, much finance comes from the high savings ratio of Italian families and extended-family structure of Italian small business.

"Many small companies wouldn't think of going to the bank for funds. These small entrepreneurs are often the children of peasants, with a tradition and mentality which tells them that to go to the bank means to be strangled. They try to be self-financing, using cash flow and their own investments in shares, bonds, unit trusts. In the most far-flung parts of the Italian peninsula you can see small businessmen checking the price of Fiat shares in the business press," remarks Professor Rey.

What is even more surprising by Anglo-Saxon standards is the view of many economists that Italian small businessmen do not calculate thoroughly the cost of their investments and the likely return over a certain number of years. They generally buy the equipment they want, with the help of family, friends or company cash flow, and as Rey puts it, "they avoid having a bank or a shareholder on their backs."

Of course there is another factor in the growth of Italian small businesses - and it is far less pleasant for Italians to discuss; a number of small businesses simply dodge taxes, underpay taxes or fiddle their books to get around taxes. The general response of Italian officialdom is that this is true, but one should not exaggerate its importance.

Nonetheless, ISTAT itself recently upgraded the size of Italy's gross domestic product by an average 15 per cent with an eye to the country's famed "grey" or "black" economy.

Aside from financial elements, the demographics of Italian manufacturing have much to do with the success of small entrepreneurs. Rey says he is "most struck by the decentralised nature of manufacturing - a series of capillaries that run together in a complex manner". Many Italian businessmen would agree with Rey's view that the structure of Italian manufacturing is "almost miraculous" and that the decentralised network is a *vincente* - "winning" idea.

A common example of this is in precision engineering. For example, to manufacture a lock for a car door, Fiat may have a range of suppliers. One main sub-contractor supplies the finished lock, but this sub-contractor in turn may have three or four smaller sub-contractors which produce the pieces of the lock. And these smaller companies also understand that they cannot be dependent on just one customer, so they develop their own network of clients.

Because Italy is a thousand-mile-long peninsula, with a difficult and mountainous terrain, normal economies of scale for manufacturing that may work in other parts of Europe do not necessarily apply. "In this country I think that economies of scale can become diseconomies of scale," says the head of ISTAT.

Thus, a lattice-like network of small companies supplies bits and pieces to other small companies, which supply medium and finally larger companies. At the same time, reasonably small companies may be able to dominate a particular province or region, prospering within a radius of less than 50 miles. Still other small businesses manage to export directly abroad.

The articles to follow in this series will examine the mechanics of how these adventurous entrepreneurs succeed. The first article was published on September 15.

Dave Simmons: "We have become the Hoover of electronic drums"

No longer beating his own drum

Charles Batchelor on the problems that led Simmons Electronics into the arms of a buyer

FOR A SMALL company to achieve and maintain market dominance in a high tech field is a rare event. Yet for the past five years Simmons Electronics, a Hertfordshire-based manufacturer of electronic drum kits, has kept a jump ahead of much larger international competitors.

Simmons still claims a two-thirds share of its own specialist market but a combination of problems with its US distributor and an unsuccessful attempt to raise venture capital have forced it into the arms of a larger British group.

Simmons finally acquired its US distributor in April but the damage to its business in the US had badly dented profits. The same month saw the unsuccessful conclusion of nearly eight months of time-consuming negotiations with a series of UK venture capital companies.

These twin distractions had pushed Simmons so far off course it was only too happy to agree to be bought out for a nominal amount by Carlton Communications, the expanding, publicly-quoted television services company.

Simmons' difficulties illustrate the vulnerability of small high-tech companies to periods of turbulence and appear to confirm the investors' reluctance to back the company. However, its experiences also raise the question of just how venturesome venture capital is in Britain.

Simmons Electronics was set up in early 1982 by Dave Simmons, then aged 27, as a means of combining his interests in music (though he is a pianist not a drummer) and electronics.

Working from an old mill building in St Albans, and with the help of a £10,000 loan from his local bank, Simmons and a friend, Geoff Howorth, currently sales director of the company, developed an electronic drum kit and hawked it around music shops in West Germany and New York. "After six months orders outstripped our production capacity," says Simmons.

The electronic drum set caught on with the professional drummer because it allowed him to broaden the range of sounds he could play. At the flick of a switch he can go from a standard snare drum sound to tom toms or Latin percussion. It also appealed to the amateur musician because it allowed him or her to reproduce the sounds of professional bands.

Electronic drums still account for only 10 per cent of the £85m-a-year market (at wholesale prices) of new drum sets, but Simmons dominates the electronics sector accounting for about two-thirds of all sales or £6m worth a year. "We have become the Hoover of electronic drums," claims Simmons.

The commanding market position built up by the company's distinctive hexagonal drums has been maintained by rapid product innovation which has wrong-footed competitors. "We knew we had a limited amount of time from launching our first drum set before competitors started making half-price products," explains Simmons.

He scrapped his first drum set, which had been retailing at \$2,500, and introduced both a cheaper and a more up-market version at the Frankfurt Music Trade Fair in February 1984. "We had taken a gamble but we were right because 20 companies exhibited rivals to our old product," says Simmons.

The company grew rapidly in the first two years, producing profits of £660,000 on turnover of £2.45m in 1984. In that year it moved to a modern factory on the outskirts of St Albans and quadrupled its workforce to 100.

But the following year the pressures of growth began to make themselves felt. Spending on the enlarged workforce and on increased r and d coincided with tougher foreign competition from companies such as Yamaha and Roland of Japan.

After changing its year end from January to avoid a clash with the industry's main trade fairs Simmons saw profits tumble to £548,000 on turnover of £8.68m in the 18 months ended July 1985.

To protect its exports, which account for 80 per cent of total sales, Simmons began to take tighter control of overseas distribution. It bought out its European distributor and then set up a joint distribution venture in Japan.

It was Simmons' attempt to acquire control of its distributor in the US, which accounted for half of all company sales, which pushed it badly off course in 1986. The US company attempted to retain its independence by taking on other manufacturers and sales of Simmons drums dropped disastrously.

The US distributor finally agreed to sell but the loss of US sales helped depress profits to £235,000 in the year ended July 1986 on turnover of £5m.

These problems came at a time when Simmons and his management team were trying to raise £1.5m in extra capital.

"We showed group after group of venture capitalists around this factory," says Simmons." We produced endless figures but the investigations they wanted us to do on the Japanese market would have cost us 10 years' profits."

In all, Simmons estimates, he made his pitch to 30 venture capital groups, finally settling on Phillips & Drew Development Capital which continued its own detailed assessments until April when it decided against providing the funds.

"Simmons had a track record of generating new products which the top end of the market found attractive and had made a significant penetration of the US market, which is unusual for a high-tech company," says PDDC's Ian Hawkins.

But PDDC and its investors feared an influx of imitators with much greater marketing muscle and felt Simmons was over-dependent on a narrow product area.

Crucially, PDDC was unable to persuade the institutions whose money it would have been investing that they should commit themselves to such a high risk venture in a fast-moving market.

Unable to face several more months attempting to interest another group of investors and faced with deteriorating profits Simmons turned to Carlton. Within eight weeks the two had reached agreement for Carlton to take over the company for a nominal sum and to inject £2m into the business.

"We can help Simmons in lots of areas of music and we also have 40 per cent of our business in the US so we understand that market," says Michael Green, Carlton's chairman.

"It wasn't a strictly balance sheet exercise for us. It was a question of looking at the company and saying 'These guys know what they're doing.' They have a good business, good ideas and good products. They just ran out of money."

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UK EDUCATION

Schools need a curriculum which, by its relevance, is capable of holding young people in education

A lesson for employers

By David Ashton

SINCE the Great Debate was first initiated by the then UK Prime Minister, James Callaghan, in 1976, there has been a continuing tendency to blame the educational system for failing to meet the "needs" of industry. At times this debate has focused on the inadequacies of the strictly academic, as opposed to vocational, curriculum. More recently, the absence of a core curriculum has been seen as the main cause of the failure.

However, an examination of the relationship between education and the labour market in other advanced industrial societies suggests that a great deal of this debate has been misplaced and that, on the contrary, it may have been the success of the education system in meeting the needs of past employers and the failure of present employers to modify their recruitment practices which is causing the problem.

There are two characteristics of the British education system which distinguish it from that of other advanced societies. The first is that over half of pupils leave school at 16, compared with Japan and North America where 95 per cent and 80-90 per cent respectively stay in full-time education until the age of 18.

The second—and many see this as a cause of the first—is that a significant proportion of young people in Britan develop strong anti-school attitudes and are only too keen to leave as soon as possible. They believe there is nothing to gain from staying on.

British education in the past has been geared to producing workers for an economy based on labour-intensive manufacturing industry. Employers in textiles, shoes, furniture and similar sectors did not require a high level of education among their unskilled employees. Indeed, there were certain advantages in taking on people aged between 14 and 16 and training them on the job as operatives. The type of education they had, providing it gave them a minimum level of literacy, was not of much concern to the employer.

For the large proportion of skilled workers required for the labour-intensive engineering industry, a higher level of educational ability was necessary in order to undertake prolonged apprenticeships. Yet these were still essentially practical skills that were transmitted through on-the-job training and again early recruitment at 16 was seen as advantageous, both by the employers and the trade unions.

The fact that the school curriculum was primarily academic was of little concern to employers. So long as prospective recruits had displayed some competence in the classrooms that was enough. It was more important that they should have finished their secondary education by 16, for that was when recruitment into skilled jobs took place. Youths who stayed on beyond 17, especially males, were at a disadvantage. This left a very small proportion of young people to be educated to a higher level to fill the elite positions.

Thus, these industries created both the opportunity and the habit for most young people to leave school early.

The experience of the UK's main industrial competitors and the changes that are taking place in the labour market make this system anachronistic. It is clear that the emphasis in Canadian and US education is on sustaining a high level of interest among young people, to encourage them to enter higher education and so acquire the skills necessary for the more technologically based industries of the late 20th-century.

The pattern of job growth, including in Britain, shows that it is those technologically based occupations that are increasing most rapidly. In some societies, such as Japan, there is a conscious attempt to encourage the development of the more technologically advanced industries and to phase out those that are labour-intensive. In this sense the industrial base of the country is being changed in the direction of industries where the products are more sophisticated, requiring a highly educated labour force. This strategy is being adopted by some UK conglomerates.

Yet many companies in Britain are persisting with traditional forms of entry into work. True, there have been attempts in recent years to introduce a modular form into the apprenticeship system, but the majority of employers still recruit at 16. Indeed, the introduction of the Youth Training Scheme has encouraged this pattern of early leaving as it has tended to fossilise the traditional path into work. Certification still takes place at 16 and employers continue to encourage and even put pressure on young people to leave school at that age.

If Britain is to compete effectively in world markets it needs a three-pronged attack on the problem.

First, a policy must be embraced which will encouraged the growth of technologically advanced, as opposed to labour-intensive, industries.

Second, schools need a curriculum which, by its relevance, is capable of holding young people in education for longer, while encouraging them to obtain the skills which are essential for advanced industries. To achieve this, a new system of certification, at 18 rather than 16, should be implemented and further and higher education should be expanded to accommodate this.

Finally, the pressure on young people to leave at 16 must be relieved and this can only be done through a substantial modification of the recruitment practices of major employers. It means recruiting into skilled jobs and training programmes at 18 or 19 at the earliest, and perhaps 21 to 24 in the majority of cases. Only then will Britain be entering the race at least on an equal footing with its competitors.

This article is based on the work of the Labour Market Studies Group, University of Leicester. A full report is due to be published by Macmillan next year, under the title Re-Structuring the Labour Market: The Implications for Youth, by D. N. Ashton, M. J. Maguire and M. Spilsbury.

THE ARTS

London Galleries/William Packer

Image, New York style

The great thing about the Garter, in the late Lord Melbourne's view, is that there is no damned merit about it. That is rather how we are beginning to feel about the Saatchi Collection, although of course some extremely meritorious artists and most distinguished works of contemporary art have received the Saatchis' accolade and found their way into the ever-lengthening catalogue.

But the point to remember with the Garter is that it has certain careful limits set upon it, which suggest that some thought or personal preference has gone into meeting them. And it is on this point of actual practice that any resemblance ends. For, far from embracing the careful choices and discriminations of the connoisseur, the proceeding seems to be that of the trawler captain who, his net hauled in, will throw nothing back.

The overriding and finally dispiriting feature of the Saatchi Collection, as it has so far been exhibited, is that, whatever its particular qualities, without evident and enthusiastic discrimination there really is no merit to it. Excellence, for lack of celebration, is reduced to the level of the mundane and commonplace.

An exhibition of a broader selection than usual was put on by the Royal Scottish Academy during the Edinburgh Festival this summer which included work by major British, European and American artists. It was full of good and significant things, but, even so, suffered from impersonality and wholesale judgment. But for all its minor faults, it was not nearly so worrying as the latest exhibition at 98A Boundary Road NW8, *NY Art Now*, which is to remain on view until the spring.

Nine artists are represented, and the first thing to say is that they constitute no close school or group. It is only their working within what their apologist, Dan Cameron, in his catalogue essay, calls "so rarefied an atmosphere as the lower Manhattan art world" that unites them. But then so self-regarding and hermetic is New York's view of its own importance that whatever appears on the Village green naturally arrogates to itself—in local eyes at least—a universal consequence.

These artists are all in their twenties and thirties and Cameron, pointing to the often violent and general criticism their work has already drawn, says that of course "virtually every major movement during the past hundred years has met with a comparable reception." He does then say that "controversy alone cannot determine lasting value," but in the context the disclaimer is perhaps a trifle disingenuous.

The truth is that all the work in this show is not so much outrageous as deeply trivial, remarkable only for what it tells us of the values and judgment of the New York art world. Much of it is extremely smart and beautifully, expensively turned out. It draws easy attention to itself and challenges criticism to mock it. All is surface, style and, to invoke the great shibboleth of the age, image. Of content, substance and humane experience there is nothing.

What, for example, does Jeff Koons offer us, by which to test our existential understanding of reality against his own, by his brand-new vacuum cleaner that sits upon its plastic box of neon lights? A degree of social comment, perhaps, but is that all there is to it? "I'm primarily interested," he says, "in communication to a mass-level audience. But this connection first has to be experienced individually. . . And I believe greatly in art as a process of life, of defining oneself. . ." He floats basket balls in elegant fish tanks: so what?

Robert Gober makes oversize and rather crude plaster versions of kitchen sinks and basins. "Sometimes it seems we're all victims of an incredible mystery. I try to express this." Haim Steinbach brings forward his selected trophies of modern life, American footballs, wicker baskets, several bowls, driftwood, masks and places them with an hieratic simplicity upon his immaculate formica and plywood deco shelves. "They are bought or taken, placed matched and compared. . . . So the question of permanence is just relative to everything else in this exchange. . . ."

Ross Bleckner covers his large canvases with regular and loosely painted vertical stripes that only hint at the visual frisson that Bridget Riley has been exploiting with consummate precision for more than 20 years. He ducks out of the comparison and the responsibility by superimposing other crudely stated elements that establish the more conventional pictorial space. "A great painting isn't so much a painting anymore that dwarfs the other work around it, but one that throws the admirer into a state of confusion."

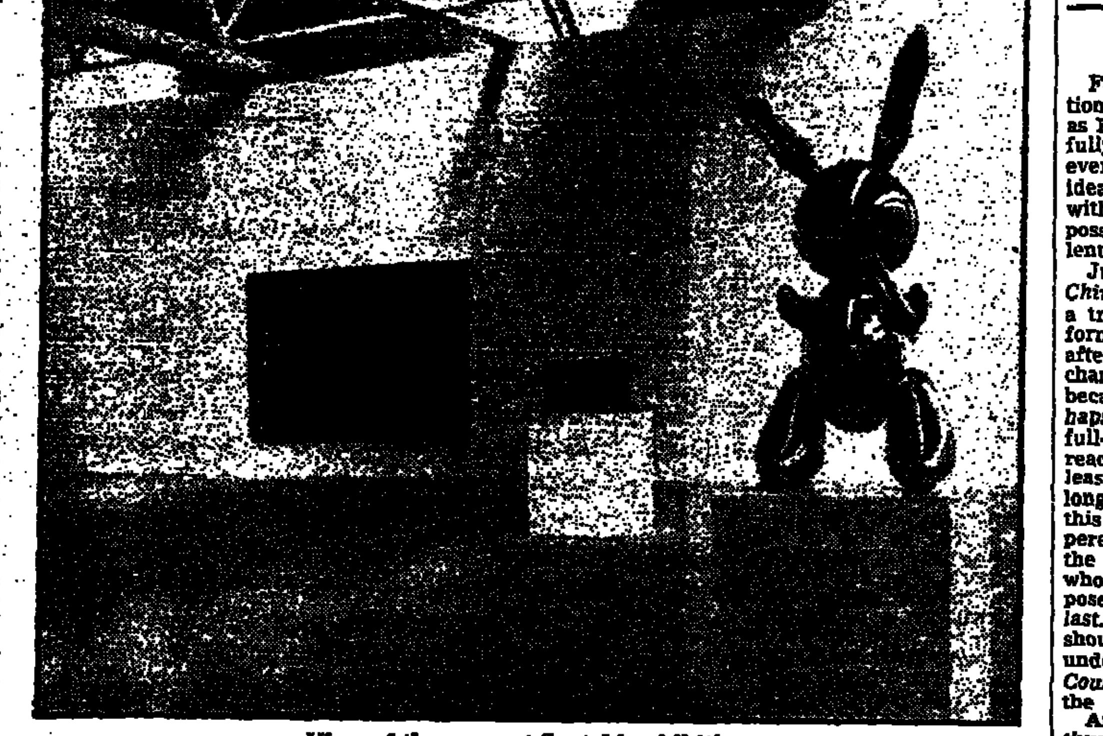
But there is no need to rehearse the entire show. Mr Cameron's catalogue embraces 16 artists altogether, and it is hoped that those excluded from this show will follow their colleagues in the spring. For all its faults, we cannot take our eyes off the Saatchi Collection for a moment. It is open to the public on Fridays and Saturdays from 12.00 until 6.00 pm, or otherwise by appointment.

★

Cy Twombly, who figured prominently in a previous Saatchi show, now occupies the Whitechapel Art Gallery (until November 15) with a retrospective exhibition of his work since the mid-1950s. He too is American, but of the generation of Jasper Johns and Richard Rauschenberg with whom he has always been closely associated. He is thus an abstract expressionist cast not so much as hero as aesthete. The characteristic canvas is given perhaps a pale grey ground over earlier activity, which clearly shows through. The surface carries a calligraphic linear scrawl, now tentative, now frantic, that often teases close to actual communication and celebrates, if it celebrates anything, the physical quality of crayon and graphite on paint.

Much of the work has a quietly intriguing and insidious beauty, but its delicacy too easily becomes cloying with facile repetition. There comes a moment when we are left with nothing but the scribbled remnants on the schoolroom blackboard. The effect may be acceptable but it is the assumption of significance that palls. "No contemporary artist," says Harald Szeemann in his catalogue essay, "has so succeeded in dematerialising, transubstantiating, spiritualising the content and expressiveness of line, colour and volume . . . Lines of force, acts of force, eruptions of raw psychic energy . . . are all present in his work — but as a form of withdrawal therapy."

Well, we all go over the top sometimes with our enthusiasm. What is true of Twombly is that the best work is the more disciplined, either by the sheer simplicity of the statement — as in some of the drawings that are no more than accretions of near horizontal lines and come so close to actual landscape — or by the denser painterly commitment both to material and image that is especially evident in much of the more recent work on paper. The much smaller and more concentrated pendant show at the Anthony d'Offay Gallery (23 Dering Street, W1: until October 31) brings out this best in him.



View of the current Saatchi exhibition

Definitely the Bahamas/Orange Tree, Richmond

Michael Coveney

The more fashionable London fringe theatres are no longer picking up the best new playwrights as a matter of course. Renewed importance attaches, therefore, to the activities of such venues as the Old Red Lion in Islington, which has just presented Philip Davis's compelling *Skulduggery*, and the Orange Tree in Richmond where an experienced and talented young radio dramatist, Martin Crimp, has found a welcoming theatrical home.

Mr Crimp's radio work has been noted with approval in these columns by B. A. Young. It is a mark of the respect he commands among the acting profession that Alec McCowen has directed this trilogy of plays at Richmond and furnished them with a high class quartet of performers.

The title play, which won the 1986 Radio Times Award, is the longest and strangest. A suburban married couple, Frank and Milly, entertain a silent friend with holiday snaps, family news, domestic gush. A Dutch girl washes her hair and recounts an attempted rape. Frank tells how a Doberman had his head hacked off, and that this was not an isolated incident.

Language is used with relish and pleasure in its quirkiness, phrases like "getting a man in" or "getting the photos out" invested with humorous menace. Frank's enquiry of "Did you have any joy with the chops?" is left hanging by John Moffatt to gather coarse lustre. Mr Moffatt's cast iron but glinting comic technique, one of the glories of our stage, stonewalls Heather Canning's fidgeting, unfocused banter as Milly—"Frank says he's getting too old to dig a 'pool'"—with a veritable armoury of little sighs, nods and unspoken affection. Milly's busyness is complemented by Mr Moffatt's unbroken restraint and absolute stillness.

That stillness is brought to bear in a different way in the portrait of an old Nazi war criminal in *Spanish Girls*. Lonauer's view of the Vega has been obscured by the backside of the Manuel de Falla apartment block. His visitor (Rob Edwards) turns accuser, producing evidence of Lonauer's involvement in the extermination of Dutch Jews in the War. The man of fine sensibilities urges the visitor to press on, state his purpose and continue . . .

The opening play, *A Kind of Arden*, sets the overall theme of displacement in foreign parts in a delightful, callous study of a honeymoon couple cutting short a fellow beach guest, Mrs Tighe (Heather Canning), in Mauritius or the Seychelles while making vaguely compassionate noises about the state of the world. Mrs Tighe is ignorant of the Creole patois and is saddled with an unseen husband, bleeding and immobile upstairs in the hotel.

Rob Edwards is the sanctimonious Max, visibly well directed in matters of stylistic nuance by Mr McCowen. Amanda Royle is almost edibly attractive as the swim-suited office colleague who has made the terrible mistake of marrying this ludicrous Insurance man who, like some down-market Kafka, has sensed the world's decay while sifting through the claims.

Alastair Muir

Amanda Royle and Rob Edwards

Benjamin, Boulez/BBC2, Channel 4

Andrew Clements

Already the youngest composer to have a work performed at the Proms, George Benjamin has now surely become the youngest composer to have a BBC television documentary devoted to his work. "Towards Antara" broadcast in the Omnibus slot on Friday, traced the evolution of his IRCAM commission *Antara* to its premiere in Paris last April, ending with a complete performance of the work itself by the Ensemble Intercontemperain, also relayed by Radio 3.

Predictably the programme dwelt upon the electronics that lay behind the work, its use of resynthesised Andean pipes which are plumbed into the live performance using IRCAM's fabled 4X computer, its quarter-tone harmonies (invented by Benjamin using two electronic keyboards tuned a quarter tone apart) and the laborious composition of the score itself.

Though only the surface of the current capabilities of IRCAM could be scratched, it was perhaps the first chance British audiences have been given to see and hear a little of what is going on beneath the ground at the Pompidou Centre, and how the massive French investment is beginning to bear creative as well as merely technological fruit.

The premiere of *Antara* itself was reviewed here by Dominic Gill. Encountering the work complete for the first time after the tantalising snatches scattered through the programme, I must confess to some disappointment. It may be fascinating to hear Benjamin's quite extraordinary ear for harmony and texture exploring and exploiting new resources and harmonic regions—some of the more densely chordal sections, which juxtapose the sound of the ensemble with the reconstituted panpipes controlled by keyboards, touch off luminous sonorities that will surely return to his music in later works—but the overall structure seemed less convincing. The marvellous organic pacing that has been endemic in his music since the earliest pieces is replaced here by an episodic, almost frieze-like construction, as if the use of the hardware had to take precedence over the details of the musical argument.

By neat chance, two nights later Channel 4 also visited the rarefied world of the 4X for a video version of Boulez's *Répons*, made for television by Robert Cahen. As an exercise in visual self-indulgence, eliding images from the performance with a stock array of explosions and implosions, haunted landscapes and pounding waves, it did no justice at all to Boulez's ever-proliferating and more richly defined score.

The programme suffered too from the constricted television sound. The essence of the real-time computer processing in this work is in its ability to extend decays, ramify textures and multiply melodic lines; too much of that simply went for nothing, leaving only the motoric rhythmic unisons of the score. The bone structure was preserved, but none of the surface filigree that gives the work much of its fascination. And the parade of video images offered no kind of compensation.

Hogwood appointment

Christopher Hogwood has been appointed Director of Music of the St Paul Chamber Orchestra, as from September 1988. His contract as artistic director of the Handel and Haydn Society, has also been extended.

Kent Opera on the South Bank

Max Loppert

Following a weekend occupation of the Elizabeth Hall such as Kent Opera has just successfully completed, it becomes ever clearer just what a fine idea it was to fit out the hall with theatrical facilities and possibilities, and how excellently well it has been fulfilled.

Judith Weir's *A Night at the Chinese Opera*, which enjoyed a triumphant London first performance there on Sunday afternoon, was a two-fold enchantment—first (and mainly) because the work itself is perhaps the most remarkable first full-length opera to have reached the British public in at least a decade (and probably longer); and second, because this unloveably antiseptic, perennially uninviting relic of the '60s suddenly revealed a wholly valuable place and purpose in London's artistic life at last. How splendid that it should be Kent Opera, still under the shadow of the Arts Council guillotine, to provide the revelation!

Andrew Clements wrote enthusiastically about this joint Kent Opera-BBC commission after the premiere at Cheltenham in July. No need for me to repeat his praise, or to add much to it, except by way of noting in the margins that the composer's forging of a tellingly individual musical idiom out of (as at various times it seemed to me) Messiaen, Stravinsky, Ravel, and even Wagner has served her dramatic conception with total authority—Weir is a creature of the theatre, and it shows in every bar.

Also that the production by Richard Jones in the designs of Richard Hudson, though it leaves open the possibility of other, completely different kinds of staging of the opera in its wake (and of these one hopes there will be many indeed), is a brilliant feat of theatrical imagination — endlessly witty, economical, and pointed; hauntingly poetic in its sidelights and subtexts; wildly hilarious at its centre. The cast of 11 and Kent Opera Orchestra under Andrew Parrott gave an outstanding display of linked theatrical skills: what a joy to witness vivid intelligence at every moment and in every corner of the stage and pit! Enough praise: *A Night at the Chinese Opera* forms part of the company's six-stop tour in October and November, and is on no account to be missed wherever it turns up.

On Saturday, Kent Opera had organised a day of talks and concerts focused on Mozart and 18th century pastoral, carefully planned to lead up to the other main offering of the weekend sojourn—a new production of Mozart's *Il re pastore*. It was a pleasure to have this beautiful work on the London stage again. It's not exactly "about" a great deal (but then, essays in the 18th century *serenata* or *festa teatrale* form, essentially a court diversion in pastoral dressing-up, very seldom were—Gluck's *Orfeo* was a startling exception to the general rule). But all the way through the music glows with that particular peach-skin lustre peculiar to youthful Mozart; and already (in one or two key arias and in the finale) it is the mature Mozart whose vision imposes itself on Metastasio's blamelessly high-flown banalties.

But it needs altogether more confidently accomplished handling—and above all singing—than it received on this occasion. The staging by Michael McCarthy, one of those "let's the five of us pretend to be putting on *Il re pastore*" affairs beginning during the overture, was a silliness that never quite suceeded in disguising its own inefficiency, but did no real harm. (It's surely time, though, to declare an international ban on the ritual of tea-taking as an addition to the nervous modern producer's stock of things-to-do during long 18th century opera arias.)

For the Kent Opera casting there could, however, be less charity: three young singers apparently unready for the complicated music in diverse departments of technique or tone-colour (perhaps it's unfair to pass comment on one of them, the tenor Christopher Gillett, who was suffering a very bad throat ailment); a more experienced one (Martyn Hill) who appears to have willingly sacrificed his former suavity of tone to volume production; and only Jill Gomez as Amintas, the titular character, with anything like the proper command of Mozartian vocal style—Miss Gomez's "L'amerò, sarò costante" had an elegantly rapt, romantic colouring that compensated handsomely for the missing male-soprano metal.

Once again the Kent Opera Orchestra played extremely well, but Ivan Fisher's account of the score was curiously rushed, uneven and unsettled —a mixture of fresh sympathetic things, and others less happy. The opera was worth tackling, but it needs altogether more care, consideration, and basic Mozartian skill.

Groping for Words/York

B. A. Young

Sue Townsend's play, previously seen under another title, is about adult literary classes. This class has two members, George (Stuart Golland) who is 40, unemployed, deserted by his wife, at rock bottom; and Thelma (Caroline Berry) a young nanny whose dictatorial employer wants her to take the children through elementary reading books that she can't read herself. There is also an honorary member, the assistant caretaker Kevin (Nick Bartlett) who doesn't care a damn about his illiteracy but likes the company. Their teacher is Mrs Chalmers (Patricia England) middle-aged, middle class, patient with an unsatisfactory marriage.

Introducing these four occupies the first act. Their classes are held in a municipal classroom intended for small children, with a goldfish called Darren and a doll's house in which George sleeps. Kevin's office slides on and off as required. Why the designer, Nigel Hook, should not have left it permanently in its untroublesome position is hard to see. The characters have more colour than substance, but they are given some good television-style talk and are uncommonly well played, along their predictable lines, under Clive Perry's direction.

Social and educational business develops after the interval. Thelma, who is as proper as she is frivolous and fetching, is furious when Kevin "touches" her. George falls in love with Mrs Chalmers. In the last scene, the pupils give a party for their teacher, celebrating both her birthday and our national saint's day, Bonfire Night. Mrs Chalmers wholeheartedly attends, though she should be giving a party of her own at home. Kevin gets a letter from the manager which he believes is about promotion but is in fact about the sack. There are quarrels that lead to physical violence involving all four, concluding with Kevin's big gesture. He locks them into the classroom, turns out the lights and comes back waving a sparkler with which he spells out the only word he can spell?

Miss Townsend's points, sentimental and political, are presented simply, with increasing anger. She reminds us how disadvantaged the illiterate are, but demands understanding rather than action. We have a short evening—an hour and three - quarters — of earnest thought disguised as fun, vigorously presented.

Arts Guide

September 25–October 1

Opera and Ballet

TOKYO

Stuttgart Ballet. Gaiete Parisienne (Bejart). (Mon). Kani Hoken Hall, Gotanda; Onegin choreographed by John Cranko (Wed). NHK Hall. (725 8888).

Bauhaus Contemporary Dance Company (West Germany). La Foret Museum, Harajuku (Mon). (406 1351).

Tartar Folkloric Dance Troupe from USSR. Shinjuku Bunka Centre. (Mon, Tue). (235 1661).

Murray Louis Dance Company, music by Dave Brubeck. Sunshine Theatre, Ikebukuro (Mon, Tue). (237 9990).

LONDON

Royal Opera, Covent Garden: Owing to industrial dispute, all performances cancelled until further notice (240 1066).

English National Opera, Coliseum: A rich, exotic repertory this week. The new production by Philip Prowse (in his own designs) of Bizet's Pearl Fishers has Valerie Masterson, Adrian Martin and Sergey Leiferkus in the cast, and Charles Mackerras as conductor. Sondheim's Pacific Overtures, despite longeurs and production flaws, proves a brave, worthwhile addition to the bill of fare. Last performance of the Salome revival, with Josephine Barstow fascinating and powerfully dramatic as ever in the title role. (836 3161).

PARIS

Swan Lake in Rudolph Nureyev's choreography (Thur). Paris Opera (4742 5750).

La Jeune Danse au Zenith – a kaleidoscope of contemporary companies with Regine Chopinot, Les Ballets Trocadero De Monte Carlo, Dominique Bagouet, Bernard Lavilliers and Daniel Larrieux (Wed). Le Zenith, 211 Ave Jean Jaures, Paris 19E.

NEW YORK

Metropolitan Opera (Opera House): The week features L'Elisir d'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Schexnayder; Otello, conducted by James Levine in Franco Zeffirelli's production with Kiri Te Kanawa and Placido Domingo; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conducted James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

New York City Oper: The week features Casanova, Turandot, The Marriage of Figaro and Die Fledermaus. Lincoln Center (870 5570).

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliotheque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

WEST GERMANY

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845-1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture, Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Cremona: Masterpieces by Antonio Stradivari: In honour of the greatest violin-maker ever, who died 250 years ago aged 93. About 50 instruments are on show including one of the ten surviving inlaid instruments – a violin outlined front and back with a delicate frieze of ivory squares and diamonds and a harp, a violin and a wooden violin case covered with leather and studded with nails forming an elaborate pattern on the lid. The exhibition has been organised by Charles Beare in collaboration with the Italian architect Gae Aulenti to coincide with the Cremona Music Festival at which Stradivari instruments will be played. Ends Oct 7.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1965, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct. 18.

TOKYO

Buddhist Art from Thailand: 155 works, mainly sculptures in stone, bronze and clay comprise this major exhibition of Thai art – the first on such a scale outside Thailand. The pieces, from 2,000 BC to the 19th century, represent the main period of Thailand's history. Tokyo National Museum, Ueno Park. Ends Oct 4.

Saleroom/Antony Thorncroft

Bonanza in Scotland

House sales invariably do well but even Sotheby's was surprised at the demand for furniture in the first session of the dispersal of the contents of Tyninghame in East Lothian, the former home of the Earl of Haddington. It expected to raise around £2m from four sessions but brought in almost £1.7m, from the first, which was devoted to furniture.

The marquee on the lawns in front of the early 19th-century house was crammed with almost 800 prospective buyers, and from the start estimates were left far behind. This was the first major furniture auction to be held in the UK this season and it provided optimistic omens. The top price was the £110,000 paid by an English private buyer for a mid-18th-century Dutch marquetry commode in the French style, which had carried a top estimate of £35,000.

In recent months there has been renewed interest in tapestries and the two beautiful examples offered yesterday, both in the Gothic style and depicting court scenes, made in Brussels around 1520, far exceeded their £50,000 estimates, one going to a Belgian dealer bidding on the telephone for £94,600, the other to a French private buyer for £79,500. A Louis XIV ormolu mounted kingwood bureau plat, stamped Demoulin JME and Tuart fils, was at the top of its forecast at £79,500.

An active buyer at the auction was the American dealer Wellington Antiques, which successfully bid £79,200 for a pair of Regency glass and gilt brass chandeliers, each with 16 lights, the glass chains and beads creating a waterfall effect. A George III mahogany four post bed more than doubled its forecast, making £37,400. The afternoon session devoted to silver and porcelain started with a bang, a silver gilt dessert service, of 137 pieces, made by William Chawner between 1827-33, selling for £52,800, as against a top estimate of £12,000. It is still in its original box.

Tyninghame has been sold by the Earl of Haddington to pay off estate debts and to form a charitable trust to safeguard his other Scottish home, Mellerstain. The mansion has been acquired by the country house developer Mr Kit Martin who is converting it into 10 separate houses. It already contains eight staircases so such a development should not be too difficult.

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Fiji needs her friends

THE SOUTH Pacific archipelago of Fiji is fast running out of time to stop the imposition of an authoritarian regime with undeniably racist characteristics and to return to democratic and constitutional rule.

Col Sitiveni Rabuka, the self-proclaimed leader of the armed forces, staged his second coup this year on Friday. He seems set to declare a republic, possibly on October 10, which is the anniversary of Fiji's independence from Britain in 1970.

It is now clear that Fiji will not be able to avoid this step without some help and pressure from her traditional friends and allies, notably Britain, the US, Australia and like-minded Pacific islands. It is worth those friends making every effort, barring direct military intervention, to reverse the tide of events before it becomes unstoppable, particularly as there is some evidence that military republicanism may enjoy only tiny minority support within the country.

It could also be a fortunate coincidence that the latest sad turn comes shortly before the Commonwealth heads of government conference in Vancouver on October 13. The Commonwealth has a poor record against transgressors of democracy and when Col Rabuka staged his first coup on May 14 its responses were generally confined to embarrassed hand-wringing.

Colonial policies

However, the combination of the timing of the second coup shortly before the conference, its overt racist origins and the moves towards a republic which mean the unconstitutional removal of the Queen's Governor General will put the subject firmly on the top of the agenda.

The Fijian ethnic conflict is a fairly typical result of previous colonial policies. Several generations after being imported to work the sugar plantations, the Indians have risen to commercial and financial dominance in the islands. They also slightly outnumber the indigenous Melanesians. In April they finally won power in a general election, sparking the May coup whose declared aim was to preserve Melanesian political dominance for all time.

Col Rabuka may be less secure than he looks. If he has full military support that amounts to 2,700 regular soldiers out of a population of 714,000, although thousands of civilian reservists have been ordered to report for duty. He has the backing too of the Taukei Movement, a small but violent extremist organisation which wants absolute Melanesian supremacy.

He had the support of the powerful Great Council of Chiefs for constitutional and electoral reform but not for a republic which would involve automatic exclusion from the Commonwealth; the Melanesians more than the Indians revere the British monarchy.

Foreign aid

In addition economic forces could be an important factor working against the colonel. Fiji has a fragile island economy whose mainstays are tourism and sugar. As the islands learned to immediate cost in May tourists shy away from palm fringed lagoons when there are guns about. The Indians control not only most of the shops but also most of the sugar crop. Their two-month boycott of the harvest after the first coup has sapped the foreign exchange reserves. Furthermore, after the boycott many planted food for themselves rather than sugar for next year's crop.

In addition to the economic power of the Fijian Indians, the island's development is heavily dependent on foreign aid. The US cut off its $1m a year aid after the first coup. Britain is considering a stop on its $1m direct aid and may ask its EEC partners to stop another £3m which is channelled through programmes co-ordinated from Brussels. Col Rabuka may be indifferent to the views of the outside world but in that case there is a price to be paid. Nor is there any reason to suppose that the Soviet Union would seek to fill the vacuum.

Australia and New Zealand are the major regional powers of the South Pacific and ideally they should lead international protest. They should also be to the fore in consideration of measures to counter the crisis at the Commonwealth conference although in that forum India will also be vocal; it would surely veto any reapplication by Fiji for membership in the same way that it continues to veto President Zia's attempts to take Pakistan back into the fold.

It may ultimately be impossible to prevent the first putsch in a South Pacific democracy from succeeding. But all possible diplomatic means should be used now to spell out to Col Rabuka the consequences of international isolation.

Europe's block on information

NOT LONG AGO, three businessmen in different parts of Europe all hit on the same bright idea. Each argued passionately that, if Europe was to create an expanding enterprise economy, it needed an informal system of information networks, which would enable entrepreneurs, investors and customers to swap ideas and do deals freely across national frontiers.

The value of such bush telegraphs is well appreciated in the US, above all in Silicon Valley, where the intensive geographic concentration of the electronics industry and a highly mobile labour force have bred a tightly-knit community in which news travels fast. For the fledgling firm seeking backers or partners, or the prospective investor wanting to check it out, help and skilled advice are often only a phone call away.

What is truly revealing is that, as it turned out, none of the three Europeans had ever met the others or even knew that they were thinking along the same lines.

In part, this communications vacuum is due to the fact that the venture capital industry, which at its best is a conduit not only for money but also for contacts and deal-broking, is still heavily nationally based in Europe. Few deals are syndicated across borders. Moreover, Europe has yet to develop a broadly based cadre of US-style venture entrepreneurs, with experience both of founding their own firms and investing in other people's.

Torrent of data

But there is a broader point. Europe lacks mechanisms for producing and trading many types of commercial information in the same way as other products and services. Part of the problem is that so little of the raw material is readily available in a form which makes up-to-date pan-European comparisons possible. Different countries compile national statistics in widely varying ways, while information that is published in some countries is unobtainable in others. Just try, for instance, getting complete official figures for acquisitions and mergers in the Community.

The US, by contrast, is an information-hunter's paradise. Dozens of federal government agencies pour out a regular torrent of data on every conceivable aspect of nationwide economic and business activity. On top of that, thousands of private research firms, consultancies and databases will, for a fee, provide voluminous intelligence on markets ranging from peanuts to personal computers. The challenge is not getting the facts and figures but knowing how to sift and interpret them.

Defensive concern

A lot of this has to do with a basic difference in attitude. Americans generally regard business information as a freely marketable commodity and cannot get too much of it. In Europe, not only are companies often less willing to pay as a matter of routine for commercial information: many are also singularly reluctant to part with it.

A defensive concern with commercial self-interest is part of the explanation. Reporting an acute shortage of supplies of certain types of microchips a few years ago, the UK Electronics Components Industry Federation refused to give precise details on the grounds that disclosure would only help foreign competitors meet orders which its own members were unable to fill.

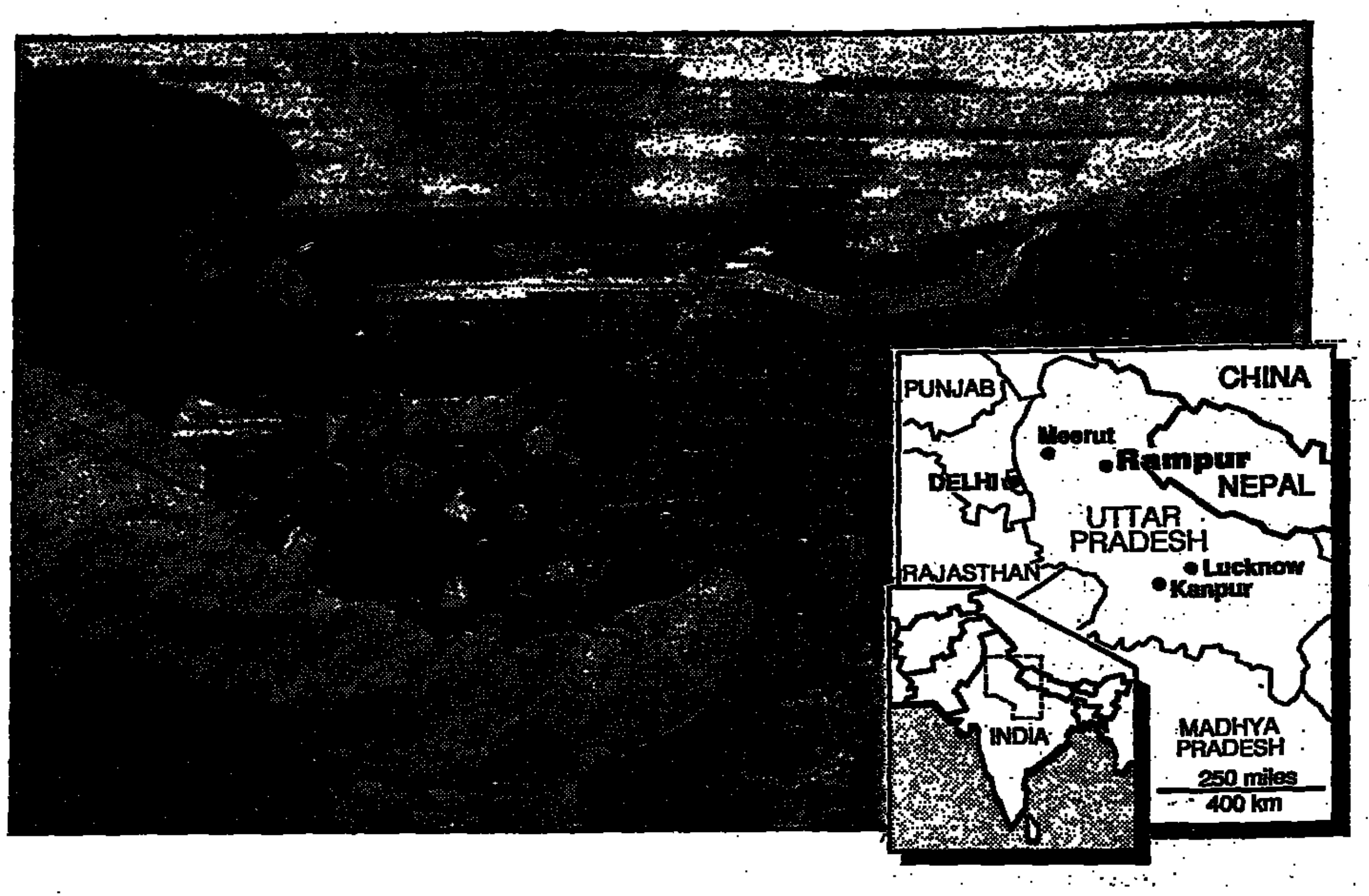
There is often also a more basic personal motive: being in the know is a mark of status and privilege, which confers a satisfying sense of superiority over colleagues and subordinates in the corporate power structure. By definition, the more people are in on a secret, the less gratifying it becomes to know it.

Many successful Japanese companies take precisely the opposite view. A striking difference between Japanese and European managers is that the former are taught to exercise authority by sharing information freely with their workforces, while the latter tend to hoard it.

Restrictions on information flows tend to favour the maintenance of the established order and to penalise efficiency and innovation. If Europe is to achieve a more dynamic and entrepreneurial economy, it needs not only a more homogenous market, but a better-informed one.

Delhi is wooing high-tech western companies. **John Elliott** describes the experience of Rank Xerox

Learning the ways of Mother India



"WE ARE unhappy. Hopefully we won't need to be sorry we came to India," said Mr Hamish Orr-Ewing, chairman of Rank-Xerox, in 1985; reflecting his company's disillusionment with India's apparently unwelcoming, bewildering, and exasperatingly bureaucratic high-cost industrial environment.

At the time, Rank Xerox had just taken a 40 per cent equity investment in a new joint venture called Modi Xerox and was beginning a learning curve faced by many of the couple of hundred companies which each year set up joint ventures in what is one of the most difficult, but potentially most rewarding, of the world's underdeveloped markets.

Two years later, Modi Xerox has learned to live in India. "Strategically it was the right decision to come and we'd do it again, though maybe slightly differently on a smaller scale. But we are here for the long term," says Mr David Thomson, a Rank Xerox director and vice chairman of the $30m (£18m) venture.

Xerox 1045 and 1025 copiers are now being produced at Rangpur, a famous old and picturesque Moghul town 120 miles north-east of New Delhi. It is an officially designated backward area, where companies receive substantial tax and other benefits for spearheading industrial development. Xerox is the first big, modern factory there, built in 1984 on an old snake-infested sugar plantation.

Indian industrial policy dictates that such foreign ventures must be Indian-majority owned so to form Modi Xerox, Rank Xerox linked up with Dr Bhupendar K. Modi, the leader of one of India's largest 10 business houses with assets of over Rs8bn (£30m) and a turnover of over Rs12bn. Dr Modi has dreamed of producing Xerox copiers in India since visiting the US 15 years ago.

Until the early 1980s, foreign collaborations were generally discouraged in all but essential areas in India, especially where there would be a heavy outflow of foreign exchange. And photocopiers were not considered necessary until relatively recently — for generations copy-typing has been a job for men sitting in open bazaar stalls with ancient typewriters, and indistinct printing was done by equally ancient rotary ink copiers.

Now India is officially welcoming foreign investors because it wants to boost its technology, its quality, and its international competitiveness. It has also started trying to satisfy a growing consumer market, which ranges from 20m to 200m of the 760m-800m population, depending on the product — from video recordings to bottled soft drinks. Rank Xerox regards India's copier market as equivalent to that of the UK — a developed country with a population of 60-70m.

Big international names have started moving in with joint manufacturing ventures. In addition to Japanese cars and two-wheelers, they include Citizen watches, Mattel Toys, Olivetti personal computers (with Modi), and General Foods. Rank Xerox is a relatively rare example of UK equity investment in such partnerships — the US and West Germany are the leaders.

These companies do not find it easy. Determined not to be exploited by foreigners, India is sensitive to the perceived threat of multinationals overcharging on transfer pricing and trying to reduce customs and excise duties by under-invoicing.

"The problem is that for each industry the needs are different but the laws are the same. So new industries like ours have to live with, for example, methods of fixing excise duty arranged for the chemical or engineering industries," says Dr Modi. This gives India's lower level bureaucrats, especially tax collectors, prime opportunities for obstruction.

"They work according to their individual collection targets set by the government, and if they are falling short they look for more, and slap 'show cause' notices on you," says Mr Wim van Eerde, Modi Xerox's Dutch manufacturing director. "Then you are suddenly prevented from shipping goods out of the factory till you get a stay order from the appellate collector." As a result of this Modi Xerox has government tax demands totalling Rs50m outstanding in the courts. The cases could go on for years.

Further complications come from India's business ethos. Older members of large industrial families are often more interested in accumulating prestige-building assets than in western ideas of maximising profits. They are also more philosophical about bureaucratic delays and are accustomed to markets dominated by shortages.

"Component supply is the most difficult problem because of a lack of perception of quality, bad communications which affect the transfer of information, and poor transport," says Mr van Eerde.

Rank Xerox's problems started as soon as it was persuaded by the Government and the Modi family to go to Rampur instead of a site nearer commercial centres with ready component supplier and customer bases.

Rampur is in Uttar Pradesh, the home state of Mr Narayan Datt Tiwari, then Industry Minister and now Finance Minister, who unashamedly pushed new ventures into his politically important state.

"Rampur was the final price for Xerox being allowed into India," says one executive. From India's point of view the policy is sound. Ambitious multinationals and other new ventures, which can cope with the extra problems and costs, are used to open up underdeveloped areas, to attract satellite businesses and build an infrastructure—Modi has built a school and hotel at Ranpur.

But communications are appalling. "Look at those potholes," said Mr Kas Herschold, business development director as we peered from the Modi family helicopter at the long crumbling trunk road that links Delhi and Rampur. "Our finely tuned machines have to travel on that."

> Three private telephone lines from Delhi head office only work about 60 per cent of the time

Three private telephone lines from the Delhi head office only work about 60 per cent of the time—"rarely before 11.00 am, by which time the engineers have shouted the bugs out of the system," says Mr van Eerde. "The telex garbles, especially in the monsoon." Frequent power cuts hit production. There are also problems attracting high-grade employees away from comfortable electronics centres such as Bangalore in south India. And for India's majority Hindus Rampur though itself peaceful is a Moslem town uncomfortably near Meerut the scene of this year's worst Hindu-Moslem riots.

Rank Xerox wrongly hoped it would win positive government help by doing things such as going to Rampur and putting in 40 per cent equity. It also agreed to Government demands aimed at cutting the outflow of foreign exchange to a minimum—a 30 per cent export commitment, and a five-year indigenisation programme switching 85 per cent of the copiers' components from foreign to local production. But, as Mr Orr-Ewing said in 1985: "The Government seems oblivious to what we have done. You knock on the door and no-one's there."

The Rampur venture involved a Rank Xerox investment of $4m for its 40 per cent equity stake (Modi also holds 40 per cent), and receives a 5 per cent royalty on sales for five years plus a technical engineering fee, plus dividends.

The main problems have arisen over the indigenisation and export requirements in a country where production costs are two or three times international levels. Mr van Eerde cites sheet metal at twice international prices, copper wire at three times, paint at five times. Items such as low-voltage power transformers were quoted by Siemens' Indian company at four times European levels. Finally, excise and other duties add 150-200 per cent to costs. About 40 per cent of last year's sales figure of Rs 645m was spent on taxes and duties.

But after two years spent scouring India for suppliers, and continued "hand holding" and monitoring with those chosen, Mr van Eerde is now relatively optimistic. Against the Government requirement of 85 per cent local content within five years, Modi Xerox has achieved 60 per cent by value on one copier and 25 to 30 per cent overall. For a few items such as electric motors and plastic machine covers, Indian companies have been linked with Xerox suppliers overseas to obtain technology.

Two years ago, there was no such optimism. High costs and duties were restricting the profitability of the plant, reducing its chances of achieving exports and reaching the volume of production which would attract better domestic component suppliers.

An influx of cheap Japanese copiers, assembled in India, was also eating into sales. The importers, who had very low overheads, paid the same import duties as Modi Xerox, which had heavy development overheads. In addition, Modi Xerox was failing to persuade bureaucrats to put its copier on a list of approved government purchase items—40 per cent of its Indian sales are to the public sector.

But now these problems seem less serious. Two years ago Rank Xerox realised it had started with the wrong machine—the 1045 copier at Rs 145,000 to Rs 165,000 was far too expensive. So it successfully added the 1025 at Rs 70,000 to Rs 100,000.

The local manufacturing programme has been helped by a mushrooming of electronics manufacturing in India which means, for example, Modi Xerox can buy components from people supplying the new manufacturers of telephone switchboards and electric typewriters.

Added to this, some of the Japanese rivals are not proving as competitive as had been feared.

Instead there are new problems. "It takes roughly two weeks to get an export licence from the top government committee, but then three months or even four to get a piece of paper we need to import the necessary bits and pieces.

Mr Thomson is also upset that, after investing heavily in a chemical toner plant at Rampur, import of toner has been put on open licence in India which means Xerox toner made abroad can be imported more cheaply.

Production targets for the Rampur factory's 9,000-machine capacity to be fully used in the third year are not being met—only a total of 5,000 machines had been made by the end of last year. But a loss of Rs 60m in 1985-86 was turned last year into a tiny profit of Rs 14.5m, with Rs 49m profit forecast for the current year on expected sales of Rs 920m. The 30 per cent export commitment is being met, with over half of the machines going to eastern Europe and the rest to west Europe.

Dr Modi is now talking about making Xerox fax machines and engineering plan copiers. He looks forward to Modi Xerox spinning off companies in nearby countries and being recognised by Xerox Corporation in the same league as, say Fuji Xerox in Japan.

Men and Matters

Tokyo talent parade

It is beauty contest time in Tokyo as foreign brokerage houses parade before the worthies of the Tokyo Stock Exchange and senior bureaucrats in the Ministry of Finance in the hope of winning one of the 20 or so TSE seats likely to be offered for sale in the next few weeks.

Some houses are emphasising the quality of their research, others are trying to boost their sales volume to demonstrate their marketing power. The brokers also want to show off the quality of their Japanese staff, and so they are vying with one another for top talent, offering big salaries to respected Japanese specialists and managers.

The latest catch is Sachio Hori, until recently head of Nomura Securities' institutional research and advisory department and, at 38, one of the firm's rising stars.

Hori, who spent seven years in Nomura's London office before returning to Tokyo in 1985, has suddenly turned up at Goldman Sachs as vice president and general manager of the US investment bank's Tokyo equities section.

Hori's new title is rather more impressive than the resources he has to work with. Goldman's forte is bonds. Its equity section in Tokyo consists of only three people selling Japanese shares and another three selling foreign shares. Not the sort of complement that was going to impress anyone.

Initial move

The Independent Television Companies Association, the ITV companies trade association, renamed itself simply Independent Television Association yesterday as part of an image brush-up.

Curiously, though, the new preferred acronym will be ITVA rather than ITA.

The explanation for this curious lettering lies with John Whitney, the director general of the Independent Broadcasting Authority, who was most insistent that ITA should not be used.

Could it be that Whitney fears that the Government is going to go ahead with Green Paper plans to give commercial radio to the Cable Authority, despite IBA opposition, and that the Independent Broadcasting Authority will have to become the Independent Television Authority — or ITA for short—before long?

Balfour on show

The British Library is to send to Israel the original document of the Balfour Declaration, in which the British Government, in November 1917, pledged support for the idea of a Jewish national home in Palestine — with its famous rider that the existing population should not be harmed.

Quoted and reprinted in countless books, pamphets and newspapers, the declaration is generally regarded as the high point of British support for Zionism. The Arabs of Palestine see it as the source of all their woes.

The declaration was a brief letter from Arthur Balfour, Foreign Secretary, to Lord Rothschild, a leading member of the British Jewish community.

Balfour asked Rothschild to bring its contents to the attention of the English Zionist Federation, whose chairman, Dr Chaim Weizmann, later became first president of the State of Israel.

The document, never shown in public before, will be exhibited in Jerusalem in November to mark both the 70th anniversary of its publication and the 40th anniversary of Israeli independence.

Appropriately, its loan to Israel was arranged by the British Zionist Federation, whose vice president, the publisher Lord Weidenfeld, briefly served as an aide to Dr Weizmann.

Eastern promise

The newly opened Grand Hotel in East Berlin, the poshest on either side of the Berlin Wall and for that matter in all of Eastern Europe, is currently reaping a windfall from visitors to West Berlin, who find leading hotels there booked solid during Berlin's 750th anniversary year.

For DM 350 (£115) a night, westerners can sink into the lace-edged pillows of a double room at the Grand Hotel, which looks more as if it belongs in Baden-Baden or Dusseldorf than in East Berlin's war-scarred Friedrichstrasse.

For another DM 80, the management will pick up guests at West Berlin's Tegel Airport in a Volvo limousine and whisk them through the Wall to the nearby hotel.

Once inside, all thoughts of East Berlin disappear—including the populace, which is left outside gaping through the windows into the magnificent lobby.

Well-heeled visitors have the option of staying in the hotel's Schinkel suite for DM 3,200 a night, including sauna and conference room, or the penthouse for DM 3,600.

In all cases, the most interesting view is out to the Reichstag, in West Berlin, that symbol of German unity which the East says does not exist.

Otherwise, the hotel caters entirely to Western wishes. The TV receives all the West German channels, and the radio is set to pick up the BBC and West Berlin stations.

Although several restaurants attached to the hotel cater to East Germans and are accessible only from the street, the hotel itself and the main dining rooms are reserved for westerners. Management says this is because hotel guests expect a "certain peacefulness."

Helmut Froehlich, general manager of the Grand Hotel, dislikes the word "exclusive," when talking about his hostelry. "It is 100 per cent socialist," he notes.

Apart from the western loan to build it, and the clientele, and the prices, he may be right. But an attempt by our man in Berlin to pay for a telephone call to West Berlin in the lobby with East German marks led to an astounded reaction from the staff lady. "We only accept D-Marks. We are a hard currency hotel," she noted, as if that explained everything.

Bi-literals

Narendra Makanji, vice-chairman of the Labour Party black section, was attempting to persuade an FT journalist that he should attend a black sections fringe meeting in Brighton this week.

He handed over a leaflet about it which contained at least three spelling mistakes in the names of listed speakers. Our newshound spotted this.

"Oh well," said Makanji, an Indian and a Labour councillor in one of the London boroughs, "we all learned to speak English by reading the Guardian."

Dog-days

Alastair Morton, chief executive of Guinness Peat, described New Zealand's Equiticorp bidders for the group as "demented puppies." If that were so, somebody suggested, then Robert Maxwell must be a "ravening Alsatian."

Morton, telephoning Maxwell a little later, asked: "Is that our friendly Alsatian?" — "Woof, woof," came the reply.

Observer

Regulation of the City is, says **Andrew Large**, turning into a damaging lawyers' paradise

Save us from Section 62

WE HAVE reached a critical stage in the development of the new system of investor protection. For the first time, the full implications and practical *details of the proposed system* are becoming clear to practitioners. There is a danger that it will turn out to be impractical and over legalistic. No one *wants the system to fall into* disrepute by being honoured in the breach, or to damage the industries it is meant to be regulating.

There is, of course, a great deal at stake. The financial services industry has been one of the most successful and vital parts of the UK economy in recent years. But much of the international success of the City has been a result of relative freedom from regulation. This has afforded London a significant competitive edge, shown by the spectacular growth in the Euromarkets over the past 10 years. Despite the absence of any formal regulation, the international market has been remarkably free of major scandals during his period. All this could be put at risk if we fail to establish the right balance in the regulatory system.

I must stress that all participants in the post Big Bang era accept the need for an adequate and just system of investor protection. No one questions the principles behind that aim. The problem is that each layer of the system—Government, the Securities and Investments *Board (SIB) and the Self Regulating* Organisations (SROs)—feels the need to be cautious and to be seen to be responsible. In an attempt to meet the detailed concerns of the various critics of the previous system each layer draws up rules or legislation. The result of this process is a mass of detailed technical rules which many people are now saying amount to regulatory overkill.

It is worth looking back at the Government's January 1985 White Paper on investor protection. This makes clear the intended objectives of the legislation. In order of priority, the regulatory system was to ensure efficiency, competitiveness (both domestically and internationally), confidence and flexibility. It said: "Excessive regulation would impose unnecessary monitoring and enforcement costs; and would stop or delay new services and products being developed in re*sponse* to market opportunities. The Government therefore intend that the regulation of the financial services industry should be no more than the minimum necessary to protect the investor."

Up to now, everyone has been under tremendous pressure to get on with it and create the best machinery possible. But it is only now, a short time before rule books are meant to be set, that the full implications of the system are beginning to be appreciated.

From most angles, the Financial Services Act is a solid and well-intentioned piece of work. But it is dealing with highly complex issues. The result is an Act which, inadvertently no doubt, has a number of ambiguities and uncertainties, especially in relation to international business.

But the single section in the Act which has had the greatest influence on the development of the new regulatory regime is Section 62. This is a statutory provision that allows a customer to sue an investment business for damages if the rules of a SRO have been broken. Acceptable business practice should not have to be continually defined in lengthy court proceedings, and therefore The Securities Association (TSA) has felt obliged to draw up detailed and long rules in an attempt to avoid uncertainty. The clause is there with the best of intentions, but its influence now extends throughout the whole chain of regulations.

In the light of this unanticipated effect, the question should therefore be asked whether this particular clause is necessary. I am not a lawyer, but I do wonder whether investors really need such a clause given the rights they already enjoy elsewhere under the regulatory regime as well as under common law. A provision of this sort will do nothing to guarantee the probity of the tiny minority of less than honest practitioners currently involved in the industry. It is the responsibility of the regulatory organisations and their screening procedures, to detect malpractice and set the general standards.

The real danger of Section 62 will be to introduce new and dangerous litigious attitudes and sidetrack the determination of practitioners to live by the spirit rather than the letter of the rules. It would be a lawyer's paradise, but is surely not the way to run a collection of complex and competitive markets.

The second major element in the regulatory process is of course the SIB. Many now argue that the SIB's rule book has been drawn up in a way not envisaged by the regulators, even though the SIB's intentions were laudable from a regulatory point of view. The SIB's rules are detailed and at times complex. *In some important areas* the SIB seems to have extended regulatory controls beyond the apparent minimum requirements of the Act. It is against this rule book that the various SROs will be judged and recognised.

The third link in the chain is the SROs. The problem here is that their rules have to be equivalent to those of the SIB. The detail and reach of the SRO rules is a direct "knock on" from the detail and reach of the SIB rules. At TSA, we have tried to draw up rules that will result in equivalent investor protection. Some rules are stricter than those proposed by SIB and others less so. I am perhaps more optimistic than many that the SIB will look at SRO rule books such as TSA's for their overall effect rather than for precise equivalence.

The SROs must be allowed to draw up rules with some freedom

So there is a section in the Act which contains an obvious invitation to litigation; an agency in the shape of the SIB which has not so far chosen to lean against over-regulation; and, as a result, SROs such as TSA which have sought precision and clarity but been obliged to frame rules which are already looking more complex and hard to comply with than they should be.

The real danger is that domestic business in the UK will suffer as fewer and fewer firms are prepared to bear the costs of compliance and take the risks of litigation in providing services to ordinary investors. This would indeed be ironic. After all, by far the most important goal of the Act is to protect precisely these investors, not to regulate the products they are offered out of existence. I cannot imagine that this is what the Government intended. Moreover, the professional international businesses who operate from London will begin to find other homes. Many have argued that this could never happen because of London's advantages. In my opinion this is a complacent and dangerous view to take. There are many ready to challenge London's position.

What can be done to avert the problem? Perhaps it is too much to expect changes in the Act at this stage. But would it not be possible to consider deferring the implementation of Section 62 so that the new system can take root in a healthy way? Even in the United States, the regulatory system does not provide such automatic recourse to litigation. Surely it would be reasonable to see if the mainstream regulatory arrangements will adequately protect investors before going over to a litigation-based system?

In addition, SROs must be allowed to draw up rules with some freedom. This implies that "equivalence" be interpreted broadly. The judgment of responsible practitioners, who are exposed directly to market forces and who give time as voluntary regulators, must be trusted if the present system is going to work. This was, after all, one of the corner stones of the self-regulatory system.

It is true that many of the concerns now being advanced about regulation have been heard before and dismissed as being attacks upon the principle of investor protection by an industry which wanted a quiet life. This can no longer be said to be the case. The industry is not questioning the principle of investor protection, but it does now have hard evidence of the difficulties caused by the current approach.

The unworkable parts of the regulatory process should be rethought and, provided we can establish satisfactory transition arrangements, there is no reason why this should delay the introduction of the essential provisions of investor protection envisaged by the Act.

The author is chairman, The Securities Association.

FOREIGN AFFAIRS

The Cold War in warm water

Edward Mortimer argues for a less grudging attitude to Soviet policies in the Middle East

DURING the Venice summit last June Mr Howard Baker, President Reagan's chief of staff, remarked that "we and the Soviets are on the same side in the Gulf."

Later he had to withdraw the statement, but confusion *on the point persists. Last* week in New York Mr George Shultz consulted at length with Mr Eduard Shevardnadze about the Gulf war, and American *officials were stressing the great* importance which the US attaches to "maintaining the unity of the five permanent members" of the UN Security Council on the issue. Yet at an Anglo-American conference on the Middle East held at Ditchley Park over the weekend a senior American diplomat still listed "*limiting the ability of* the Soviet Union to exploit the conflict for its own purposes, that is by expanding its influence in the area" as one of the three main US interests in the region, *supposedly served* by the reflagging of Kuwaiti tankers with the stars and stripes. (The other two were "a longstanding commitment to make sure the oil flows out," and "support for non-belligerent states.")

But how does the region look from Moscow itself? That is what I tried to find out on my visit there earlier this month.

One should remember, first of all, that by far the most direct Soviet involvement in the neighbourhood — and no doubt much the biggest Soviet headache — is in Afghanistan.

Everyone in Moscow insists that withdrawal *from Afghanistan* is not merely an objective but a settled intention. But the political conditions have to be right, and one of those would be that Iran — which hosts 2m Afghan refugees and gives active support to some of the Afghan mujahidin — should at least tacitly co-operate in any agreement that may eventually be reached with Pakistan. The Afghan issue provides one strong motive for Moscow to try to maintain some kind of working relationship with Tehran.

There are others. Iran has a long border with the Soviet Union on both sides of the Caspian Sea, and historically *Russia has always taken a strong* interest in it. With its large and rapidly growing population (by now probably 50m), its substantial oil resources and its *long coastline* on both the Gulf and the Indian Ocean, it can also be regarded as the region's most significant "strategic prize."

The Islamic revolution, which wrested Iran away from the US sphere of influence, was clearly seen in Moscow as a great windfall, and early on strenuous efforts were made to establish a friendship with the new regime, including an offer of weapons when the war broke *out in 1980. Moscow made* clear its disapproval of the Iraqi attack, and for a time suspended *arms shipments* to Iraq: forced to choose between the two, it obviously considered Iran the more valuable partner.

But all these overtures were rebuffed. Islamic Iran evinced bitter hostility not only to *atheist communism* but also towards the Soviet Union as an "imperialist" superpower — the lesser Satan, second only in its demonology to the "arch-Satan" in Washington. Not content with backing the Afghan mujahidin, it used its airwaves to incite Moslems in the southern Soviet Union to revolt against *their Russian masters; and, by* refusing to make peace even after it had driven the Iraqi invaders from its territory in 1982, it threatened the survival of a Soviet protege, distracted the Arab states from making any effective response to the Israeli invasion of Lebanon, and frightened those of the Arabian peninsula into a closer and more overt relationship with the US.

Many Soviet observers find it confusing, indeed barely credible, that a regime which is so palpably anti-Soviet can really be anti-American as well. They tend to suspect some collusion behind the scenes, and of course, these suspicions were encouraged and partly vindicated by the "Irangate" affair. They are *well aware that the US would* like, if possible, to get back to something like its pre-revolutionary position in Iran, and some of them claim — not very convincingly, and perhaps disingenuously — to believe that that is the real purpose of the American fleet now in the Gulf.

More convincingly, they *worry* about the danger of an explosion as an unintended consequence of such a concentration of forces by the rival superpower in a highly volatile region close to their own borders. Regarding the Iranian regime as unpredictable and uncontrollable, and the Reagan Administration as bellicose and *incompetent, they fear a clash* between the two which, though it would no doubt offer opportunities to Soviet policy, would also be fraught with danger. The Middle East is the region, and within it Iran is the country, where it is easiest to imagine the third world war beginning: both superpowers consider themselves to have strong and legitimate interests there, but neither can control the local political forces and there are no mutually agreed ground rules or spheres of influence.

The Russians—it hardly needs saying—do not want a third world war, and do want to increase their own presence and influence in a region which is close to their borders. They do not see why the West should object to this. Soviet ships in the Gulf are not threatening anyone's freedom of navigation. The Soviet Union has never prevented even a pint of oil from reaching the West. Its influence on Iraq and, such as it is, on Iran has consistently been exerted in the direction of a ceasefire and a negotiated settlement—just as it has consistently preached the virtues of a peaceful settlement of the Arab-Israel conflict based on the recognition of Israel's right to exist within her pre-1967 borders, and has supplied the Arab states with defensive rather than offensive weapons.

While the Iranian revolution was undoubtedly a major blow to Western influence, the net effect of the war between Iraq and Iran has equally clearly been an increase in Western presence and influence in the Arab world. Why, then, should the West object to an increase in Soviet influence? East-West relations, Soviet commentators are fond of repeating, should no longer be viewed as a zero-sum game.

But American officials are reluctant to accept this. They still tend to take American influence in the region as given, and therefore legitimate, whereas the Soviet Union's "obvious interest to increase their own presence" is seen as tainting its proposals with illegitimacy. References to a historic Russian desire for a "warm water port" are used to conjure up fears of sinister expansionism, not at all comparable to America's own quest for bases and facilities for the Seventh Fleet.

As evidence of this expansionism, one is told that the Soviet Union was "ready to re-flag the whole of the Kuwaiti tanker fleet." Indeed, it is by now well known that the information that Moscow had responded favourably to Kuwait's request for the reflagging and protection of its tankers was the key factor in Washington's decision to do likewise; the Reagan administration could not sit by and watch the Soviet *navy acquire such a locus standi* in the Gulf. But that the Soviet offer went so far seems very unlikely.

In the upshot, no Kuwaiti *ships were registered under the* hammer and sickle. Instead the Soviet Union has leased to Kuwait three of its own tankers —thereby ensuring that the *operation brings in* some hard currency—and has provided these with a naval escort of six ships.

The American naval flotilla in the Gulf now runs to 40 ships, not counting those of Nato allies. But that, of course, is not the same. As one American academic caustically put it, "these people think the Persian Gulf is one of the Great Lakes."

Letters to the Editor

Unsustainable expansion

From Mr B Gould MP

Sir,—I welcome the support you gave in your leading article "Mr Kinnock's leadership" (September 23) to the idea of one member one vote in the selection of Labour Parliamentary candidates. I look forward to you recommending it to other parties.

In that leader, however, you perpetuate the myth that the Labour Party was predicting the imminent collapse of the economy, and that we are surprised at its development since the election.

If you re-examine what Labour was saying at the time of the election you will see that we were predicting that the 1986 U-turn in Government policy would promote an expansion of economic activity and a *fall in unemployment*. We warned however that this could not be sustained and that the trade position *would* deteriorate as the effects of tax cuts and privatisation profits worked through into imports. With the latest trade figures showing the worst ever monthly result this prediction can hardly be dismissed.

If anyone should be surprised at the fall in unemployment, it is the Government whose belief in the total ineffectiveness of fiscal expansion was recently reasserted by the Chancellor at the NEDC Keynes conference.

Bryan Gould.
House of Commons, SW1.

The boys in the back room

From Mr D. Marsh

Sir,—I trust few stockbrokers will be naive enough to follow Mr Hempton's "obvious solution" (September 22), it is a method tried, tested and proved ineffective many times in the past.

The administrative aspect of securities trading has traditionally been the Cinderella of the industry and despite recent publicity remains so. A factor not fully appreciated is that the net profitability of a firm is determined by the efficiency of the back office. Gross commissions are easily eroded, not by the level of remuneration but more importantly by loss of interest *or the failure to pay a call and* other aspects which can consume all the commission and more. There are many areas where the expertise of a good clerk can reduce potential losses or give added value to the commissions earned. That, however, would be giving secrets away to those who display the preference to learn through painful and expensive experience.

The Stock Exchange cannot be without blame for the current situation. As a result of the *hammerings in 1974 it set up* reporting requirements and insisted on an administration partner. The measures were designed to provide early warnings and no doubt it is investigating why they are not effective.

For the long term the Stock Exchange should be congratulated in introducting formal *training. In the meantime* perhaps the clerks who have obtained the required skills can reap the rewards for enduring periods of meagre earnings. *Hopefully* stockbrokers can progress into introducing management techniques which they encourage and prompt in the companies they spend so much of their resources analysing. It is only then that the equilibrium of providing the clientele with a complete service can be restored.

David R. Marsh.
56 Hillside Grove,
Chelmsford, Essex.

Confident investor

From Mr R. Jones

Sir,—My experience does not tally with that of Mr Gumbrecht (September 23). Over a good many years the price on contract notes has as often been pleasing as otherwise. In a recent switch from one unit trust to another in the same stable my order was phoned through a branch office, the contract note was dated a day or two later and in the meantime the price had moved in my favour. Had the order gone through on the morning of my phone call I would have been £60 worse off! On the other hand a small share purchase, for a small company in keen demand, took several days to execute and the price was 3p above the FT quote for the day. At that I was glad to get the shares—*a year later* they have more than doubled and I have no intention of selling. The small man does not have the "clout" of the big man, but *discrimination* against him is not worth the time and trouble involved.

Mr Gumbrecht, I think, errs in describing himself as a small "investor" when "speculator" would be nearer the mark. In that light he is probably right in feeling that the cards are loaded against him. If, however, he looks for companies with good long-term prospects he will not need to worry about a few pence either way when *dealing*, and they may well be easier to find than ones to yield a quick profit. A good approach is to buy a minimal stake in a likely prospect which then *serves to focus the mind* on it, new issues may be fruitful. Then maybe two annual reports later and after doing one's homework, one can consider with some confidence making a more substantial investment.

Richard H. Jones.
7 Maple Avenue,
Chorlton-cum-Hardy,
Manchester.

Education in Japan

From the Chairman,
UK-Japan 2000 Group.

Sir,—Professor Ronald Dore is perhaps our best informed academic observer of Japan, and one hesitates therefore to question the thrust of his article on education in your issue of September 23. He argues that the success of the Japanese education system—centralised, uniform, and inflexible as it may be—is shown in the skills and commitment of the Japanese work-force. "Thatcherism," he argues, by offering wider choice and more diversity is heading in the wrong direction.

This was not the message which I and my colleagues who attended the UK-Japan 2000 Group conference at Gotemba last January received. Our Japanese colleagues, who included Mr Toshiki Kaifu, a former Education Minister, were strong in their admiration of the British system because of its diversity and flexibility, and they spoke enviously of the "creativity" which our schools foster. What in fact emerged from a fascinating discussion (led on our side by Mrs Angela Rumbold, MP, the Minister of State for Education) was that both sides had much to learn from each other. Britain is seeking higher standards through the development of a national core curriculum and of more effective tests of attainment, and by giving parents a greater say in the running of schools. The Japanese, who have been engaged in a fundamental review of their system (only the third since 1868) have identified the need to decentralise their system and offer pupils more choice and diversity in the hope that this will foster the qualities of imagination and creativity which they so admire in ours.

So it seems that both countries are in fact seeking common ground, and both are anxious, in the process, to avoid the errors of the other.

Our recommendation was that the two Governments should engage in joint studies of their reforms, and Mr Kenneth Baker *has sent me* a helpful memorandum on how these might be carried forward.

I question not Professor Dore's account of the achieve*ments of* the Japanese education system but his analysis of the lessons we should learn.

Patrick Jenkin,
15, Old Bailey, EC4.

Parent power

From Mr M. Hey

Sir,—I wish to express deep concern at the legislative proposals included in the Government's intended reforms of the educational system in Scotland.

The proposals show all the characteristics of muddled thinking, hasty drafting and a lack of rigorous and thorough debate. If enacted they would lead to an increasing rift between parents and teachers, a further demoralisation of teachers and a further lowering *of education standards.*

I, like many other parents, applaud the motivation behind the proposals. This is, in the Government's own phraseology: "*Power to the parents.*"

We all know that two of the big levers of power have the *labels* responsibility and accountability. Reading the outline proposals it appears to me that the legislators have got their eyes focused too intently on the first lever and not on the second.

As a parent I do not want responsibility for running schools. I do want accountability from schools.

As a parent I definitely want more power over the education of my children. As a parent and a voter I want to see improvements in the educational system. Education is the investment of our society in its future.

I do not want to see schools in the hands of non-professionals, elected from parents, many of whom may be reluctant to take on the responsibilities which our Government is proposing to legislate for them. I do want to see more accountability from teachers and head teachers for their performance, decisions and actions.

In our district considerable concern is being expresssed, not just by teachers or parents, but by all sections of the community that their opportunity to object to these proposals is limited by time and forum. The timetable for implementation *invites comments before* November on the proposed legislation highlights which only became clear late in August and it envisages that a Bill will be enacted by *October 1988* giving responsibility to parent committees for running our schools. There has clearly been no time for debate even within the Government.

Michael C. V. Hey,
43, Culter House Road,
Milltimber,
Aberdeen.

FINANCIAL TIMES
Tuesday September 29 1987

Tony Walker in Baghdad reports on internal unrest

Iraq faces challenge from Kurds

"IT WAS," said a Western official who was forced to duck for cover, "like a scene from the Wild West."

On September 7, a group of about 40 diplomats attending a festival at Baqubah, about 60 kilometres north-east of Baghdad, were caught in cross-fire as they sat in a reviewing stand watching an evening procession.

"Guards were returning fire over the tops of our heads as we lay flat on the floor of the stand," said the official, who still appeared shaken by the experience. "You could see tracer bullets flying back and forth."

The Baqubah incident is one of a number of signs that Iraq is facing an increasing incidence of internal unrest, including stepped-up Kurdish resistance, car bombings in Baghdad and banditry by army deserters in the south. All this is adding to pressures on the government of President Saddam Hussein, which, nevertheless, remains firmly in control, according to observers.

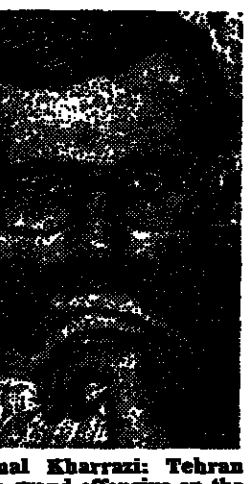
None of the foreign envoys was killed at Baqubah, but unofficial reports put casualties among Iraqis at between 50 and 120 dead, including children.

The authorities later explained to sceptical diplomats that the incident arose from an argument between a policeman and a troublemaker who was being barred from attending the festival.

No group or organisation has been blamed publicly for Baqubah, but Western officials note that the town is predominantly Shia in a mostly Sunni area where there are also pockets of Kurdish people.

Since early this year, Baghdad has toughened its policy towards its restive Kurdish minority in Iraq's north-west, some of whom have been engaging in joint military actions with Iranian infiltrators.

The Iraqi military, according to eyewitness accounts, has dynamited and bulldozed dozens of villages and hamlets in the rugged north-east region, despatching their Kurdish populations to camps near Iraq's borders with Jordan and Saudi Arabia.


Dr Kamal Kharrazi: Tehran needed a grand offensive on the war front

Iraq's redoubled efforts to crush Kurdish resistance is seen as a direct response to a worrying increase in subversion in the north-east, particularly around the town of Sulaymaniyah near the border with Iran.

Sulaymaniyah, which is within range of Iranian artillery, is just 90km east of Kirkuk, the centre of Iraq's main oil producing region.

Western officials are sceptical about the likely success of Iraq's attempts to tighten the screws on its Kurdish minority, who number about 2m out of a total population of 15mpeople.

"In the short-term, the policy may work, but in the long-term it is a recipe for discontent, and the creation of a camp spirit (like the Palestinian refugee camps) with all that that entails," said a Western ambassador.

There are reports of Kurds escaping from the camps in which they are being held in a desert environment, and making their way back to familiar hilly country of the north-east to fight the Iraqi military.

Security problems in Kurdistan are said to have reached the point where the authorities in Baghdad have found it necessary to send three or four brigades of the crack presidential guard - usually held in reserve for emergencies - to enforce order.

Another concern for the Baghdad government are recent bombings in the capital itself, including, on August 12, a large car bomb which is said to have killed more than 20 people.

Privately Iraqis blame Kurds for these incidents. Responsibility is also attributed to the banned Shia extremist Dawaa party.

Western officials note that the increasing incidence of internal unrest coincides with reports that Iran is shifting its tactics in the Gulf war.

On August 13, Dr Kamal Kharrazi, a member of the Iranian supreme defence council said Tehran had "realised it could not achieve victory with a grand offensive on the war front."

Western residents in Baghdad say there has also been a jump in the number of housebreakings and petty crime in the capital. They attribute this to the fact that about half the police force - some 40,000 men - were drafted for military duties earlier this year when Iraq was struggling to hold back an Iranian onslaught east of Basra.

The appointment of a new interior minister in August is said to be one of the consequences of government worries about security. Samir Mohammad Abdel-Wahab, the new minister, has a reputation for toughness.

Western residents of Baghdad say they have noticed heightened security measures on the streets. Cars are being stopped and searched throughout the city.

Young people are also under greater pressure to conform in dress and behaviour. "The regime seems worried that after seven years of war, the young don't have their minds sufficiently focused on the supreme struggle," said one Western observer.

Another significant problem for the authorities appears to be the activities of deserters from the army. There are widespread reports of bands of deserters living in marshland in the south near the town of Nasiriyah on the main western highway linking Baghdad with Basra.

Deserters, according to Western and Iraqi sources, have been holding up cars and stealing valuables and food. There are reports of families being kidnapped and held until one of their number returns with supplies from a nearby town.

Reports of a virtual army of deserters taking refuge in the marshes under the command of a senior officer are believed to be exaggerated. But after seven years of war, the number of deserters could well be significant.

Plessey may join Sprint to launch Euro data network

By David Thomas in London

PLESSEY, the UK electronics group, and US Sprint, the US long-distance telephone company, are likely to launch a joint venture company next week to supply data networks in Europe.

This market is fast growing in Europe, because many large companies are installing or expanding their private data networks.

Sprint, through its Telenet data network subsidiary, claims to be the market leader in this field in the US. It has supplied more than 100 private networks worldwide to private companies and public telecommunications authorities.

The deal will mark an attempt by Plessey, whose sales of data network equipment have been restricted largely to the UK, to make substantial inroads into the Continental market.

Neither Plessey nor Telenet would comment on their talks in advance of an announcement, but the venture is likely to take the form of a joint company owned equally.

Plessey has been distributing some Telenet products in the UK and the Netherlands since 1982, but the joint venture will allow Plessey to supply complete networks in conjunction with Telenet.

Plessey is also likely to view the venture as an opportunity to extend sales of its own equipment for data networks, which is known as packet switching equipment.

However, it is not yet clear whether the venture will extend to the running of data networks and the provision of services over the networks. Telenet is involved in both these areas in the the US.

Telenet was formerly a wholly owned subsidiary of GTE, the large US telecommunications company, which last year reported net income of $1.2bn on sales of $15.1bn.

It is now jointly owned by GTE and United Telecommunications, another US communications company, as a result of the merger of their long-distance telecommunications networks to form Sprint last year.

In the five years from 1986 to 1991, sales of packet switching equipment will double to reach an annual level of $163m in the UK and $484m in Europe, according to Dataquest, a US-based market research consultancy.

Between this year and 1990, the value of services sent over the networks will grow from $180m to $400m in the UK, and from $400m to $1bn in Europe, according to Booz Allen & Hamilton, management consultants.

THE LEX COLUMN

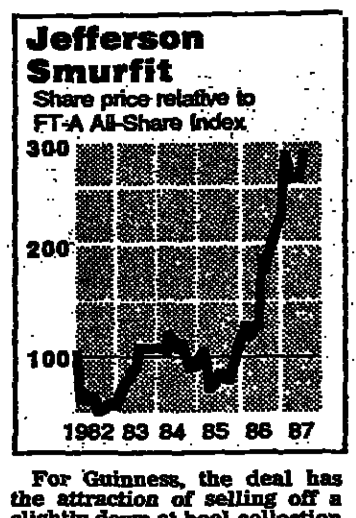
Salomon swaps its interest

Sumitomo Bank was allowed to buy a chunk of Goldman Sachs and Nippon Life put its money on the line to boost Shearson Lehman Brothers' capital ratios; so it might have been expected that when that other pillar of the Wall Street investment banking community - Salomon - went looking for a big and friendly shareholder it might have cast its eyes eastwards. Several Japanese firms could have chipped in $1bn without damaging their heady stock market rating. But in the event, Salomon has opted for a rather dazzling homegrown solution by recruiting Mr Warren Buffett of Omaha, Nebraska, - described by Salomon as "one of the world's most successful investors" - to replace Minorco as its biggest shareholder. It will be interesting to see which of the three is the most fruitful relationship over the long term.

In the short term, at least, Mr Buffett's decision to take time off from his current love affair with US TV and media companies by financing the bulk of Salomon's repurchase of Minorco's 14 per cent stake is good news for the Wall Street firm. It removes the South African connection from its shareholder list, which has probably frightened away some public sector clients in the past, and also ensures that a sizeable chunk of its equity is held in friendly long-term hands at a time when its rather erratic earnings pattern could have made it vulnerable to a predator. Given Mr Buffett's impressive long-term investment record, it also implies a substantial vote of investor confidence in a firm which has had more than its fair share of problems lately. Indeed, there were even suggestions yesterday that Salomon might utilise some of Mr Buffett's skills to boost its lacklustre investment banking performance. The 9 per cent coupon which Mr Buffett has extracted on his convertible stake in Salomon shows those skills working from the outset.

Martins

The nature of the consortium buying Martins is largelyunclear, but it strains belief that Mr Rupert Murdoch should be taking part as a mere passive investor. For the price of a one third share in the equity slice of the financing, he adds to his interests in newspaper distribution a stake in a 1,000-strong chain of newsagents. There seems little left for him now but to integrate back into forestry.



For Guinness, the deal has the attraction of selling off a slightly down-at-heel collection of shops operating under 13 different fascias at a historic multiple of 19 - around the price commanded by W H Smith and John Menzies. The new owners can argue that since the collection only dates back two or three years, it is correspondingly less mature; but it will surely take some time to knock it into shape for flotation. Nor is it clear what the new owners can contribute in operational terms. The Panfida directors have interests in food manufacture and property, but not in retailing. And if Mr Murdoch does aim to exert direct influence, he may become one more witness to the general truth that retailing is best left to retailers.

Smurfit

For a supposedly dull sector like paper and packaging Jefferson Smurfit is a remarkably interesting company. Besides being Ireland's largest corporation it was last year the best returning stock on Wall Street. The latest interim results suggest that the momentum is sustainable for the next two years at least.

The earnings per share growth of 137 per cent would not have been possible without all-round strength but the two US acquisitions - Publishers Paper and Container Corporation of America - are the motors. CCA, which is included as an associate for the first full six months, is proving an excellent acquisition, and Smurfit must be thanking its luck that the anti-trust authorities took so little interest in the deal. Previous owner Mobil invested heavily in plant but did not then bother to manage it, which has provided the new owners with immediate savings of about I£140m (£206m), albeit including pension fund savings. The fortuitous decline of the dollar, combined with capacity rationalisation, has also provided an ideal backdrop, with little immediate prospect of deterioration in demand or prices.

Even the off-balance sheet financing for the deal has failed to cause alarm, largely because there are no hidden liabilities. And a large part of the fast-declining bank debt is now fixed rate, which affords some protection against rising US rates. The tax charge is rising but not enough to undermine a prospective rating of about 19, which if earnings of 40p are achievable in 1988 leaves the shares with plenty of room for manoeuvre.

TI

When TI announced its purchase of Crane a month ago - and a placing to pay for it - its shares stood at 386p. Yesterday they closed at 472p, up 18p on the day, on the news that the next piece in the strategy had fallen neatly into place. A year ago that sort of rise would merely have meant that the takeover rumours were circulating again. Now it reflects a growing belief that TI is at last getting it right.

Not only has TI managed to sell its unwanted businesses at a good price, it appears to be buying new ones for reasonable sums too. The sale for $220m of the non-Crane parts of the Houdaille job lot is $30m better than expected, although as the source of those expectations was TI the difference is perhaps just a measure of TI's conservatism. The offer for Bundy of $144m, an historic multiple of 17.1, does not look excessive given that Bundy is in the process of reorganising its US plants.

As with Crane, TI is not breaking new ground with Bundy but addding to existing strengths. What the Crane deal is bringing to TI's mechanical seals business, Bundy should repeat for the small diameter tubing activity - giving it a worldwide market leadership in a product area demanding a technological edge and thus commanding decent margins. And even more important for the shares, the Bundy acquisition should have a positive effect on 1988 earnings per share. A multiple for next year of under 12 is not yet taking too much on trust, though the shares, like the TI management, may need a rest from deal-making for a while.

TI to buy Bundy for $144m

BY CLAY HARRIS IN LONDON

TI GROUP, the British engineering company, agreed yesterday to pay $144m for Bundy Corporation, the largest North American maker of specialised small-diameter tubing.

The proposed acquisition will make TI the world leader in the tubing, which is used in refrigeration equipment and for fuel and brake lines in motor vehicles, with annual sales of more than $300m.

Mr Chris Lewinton, chief executive, said the purchase of Bundy, TI's second large US deal within five weeks, completed the first stage of the company's radical restructuring, which included the sale of its home appliances and Raleigh bicycles operations earlier this year.

TI yesterday also sold for $220m the peripheral activities of Houdaille Industries, the US engineering group for which it paid $500m last month with the intention of keeping only John Crane, the world's largest maker of mechanical seals. TI originally expected to recoup a minimum of $190m

The addition of Bundy to the European operations which TI bought in February from Armco, the US steelmaker, and its existing Fulton subsidiary will raise TI's share of the market for small tubes (with diameters up to 1cm) to 55 per cent in North America and more than 45 per cent in Europe.

Bundy's founder invented double-walled tubes in the 1920s. The continuing selling power of his name is reflected in TI's decision to use Bundy for all of its small-diameter tubes.

After the latest deal, the UK will account for only 25 per cent of TI's sales compared with 55 per cent in 1986. North America has grown to 40 per cent from 17 per cent, and the rest of Europe to 25 per cent from 21 per cent.

Small-diameter tubes accounted for two-thirds of Detroit-based Bundy's operating profits of $20.7m on sales of $265m in the year to July 31. The balance comprised high-performance plastics.

The non-Crane activities of Houdaille were sold to a management-led investor group.

Fairfax interests sold to Packer and Holmes a Court for $550m

BY BRUCE JACQUES IN SYDNEY

IN TWO separate deals believed to be worth nearly A$750m ($550m), Mr Robert Holmes a Court and Mr Kerry Packer have each purchased large chunks of John Fairfax, the big Australian press and broadcasting group. Agreements have been reached with the two Australian financiers which should deliver control of the remainder of the group to Mr Warwick Fairfax for about A$2.55bn.

As part of the shake-up, Mr Holmes a Court has bought the Australian Financial Review, the country's only national daily business newspaper, the Macquarie radio network and the weekly Times on Sunday newspaper.

Mr Packer will acquire the Fairfax magazine stable, and the Canberra Times and Canberra Chronicle newspapers.

The deals end several weeks of frantic negotiations which began when Mr Warwick Fairfax, son of Sir Warwick Fairfax, a former chairman of the company, stunned the Australian stock market with a A$2.25bn bid for the media group controlled by his family for the past 130 years.

The bid sparked strategic share-buying by Mr Holmes a Court and Mr Packer, which took their shareholdings to 9 per cent and 4 per cent respectively. Both men have been seeking to expand their already extensive press and broadcasting interests, and by buying Fairfax shares in the market they acquired considerable negotiating leverage.

Tryart Proprietary, Mr Fairfax's private company, yesterday decided to raise its bid for John Fairfax from A$7.50 to A$8.50 a share. This was the catalyst for the sale of selected Fairfax assets to Mr Packer and Mr Holmes a Court.

The Fairfax family, which controls just over half of the shares of John Fairfax, is now expected to accept the Tryart bid for its own shares and formally to recommend acceptance for other shareholders.

Mr Holmes a Court and Mr Packer are also expected to accept the Tryart bid for their combined 13 per cent of John Fairfax.

John Fairfax will be left with its two most prestigious - and profitable - broadsheet daily titles, the Sydney Morning Herald and Melbourne Age, the BRW business magazine stable, and a half-share of Australian Newsprint Mills as its main assets.

These will go into David Syme, a new company which the Fairfax family plans to float and in which it will retain a stake of about 45 per cent. Syme will be virtually ungeared and capable of significant expansion.

Despite weeks of speculation on all possible outcomes of the bidding battle for Fairfax, the final solution contained some surprises. The main one is the Fairfax agreement to sell the profitable Australian Financial Review, which is considered a plum newspaper asset.

The deal should give Mr Fairfax control of a company with large cash resources. Apart from the proceeds of the latest asset sales, Fairfax recently sold its television assets to Mr Christopher Skase's Qintex group for about A$700m.

Sales chain for Murdoch group

BY LISA WOOD IN LONDON

AN Australian-based consortium in which Mr Rupert Murdoch's News International Group has a 33⅓ per cent stake yesterday emerged as the victor in the auction of Martins, one of Britain's largest newsagents.

The 1,030-strong chain of confectionery, tobacco and newsagents shops was put up for sale by Guinness, the drinks group, in April.

Mr Anthony Tennant, Guinness's new chief executive, announced then that he intended to concentrate on the group's core drinks activities and was putting its retailing businesses on the market.

The Australian consortium, Forcefern, is paying £202m ($331m) cash for Martins, which trades under a variety of names including Martin the Newsagent, RS McColl, Lavells and Lewis Meeson.

Negotiations for the sale have been protracted. A management buy-out team was among the contenders, while others who had expressed interest included Mr Arundbhai Patel, who acquired Finlays newsagent shops from Hanson Trust earlier this year, Gallahers, the tobacco group, which owns the NSS newsagents chain, and United Newspapers, which has a small regional newsagents chain.

The Forcefern consortium is led by Panfida, a New South Wales-based investment company with interests in food property and fund management, which, with its associate Investing in Success Equities, a UK investment trust, holds 38⅓ per cent of the equity. An Australian individual, who was not being named yesterday, holds 28⅓.

The purchase price of £202m consists of £190m for the equity of the business plus some £12m based on the change in net tangible assets since December 1986. Bank finance has been arranged by Barclays de Zoete Wedd and Barclays Bank and underwritten by Barclays.

In the last three months Guinness has sold Drummond Pharmacy Group to Macarthy for £42.6m and its 7-Eleven convenience store chain for an undisclosed sum to Matheson & Co and Southland Corporation.

In the year to December 28 1986 Martins' operating profit before interest and exceptional items was £18.9m, including £1.8m profit on property disposals. On December 28 it had net assets of approximately £36m. Mr Ken Vere Nicoll, managing director of Panfida UK, said the existing senior management of Martins would remain. At the same time, Panfida had a "hands on" investment style.

Labour Party conference

Continued from Page 1

Helens North, who chaired the working party on extending the voting franchise, told the conference that, despite Labour's claims to be a mass party, it now had less than 300,000 members. Of 205 constituency Labour parties - almost one third of those in the UK - less than 30 people had attended meetings to select their candidate.

Such small numbers, he claimed, increased the dangers of caucuses and sectional activities that had plagued the party for too long.

Mr Ron Todd, the general secretary of the powerful transport workers union, said that the principle of one member one vote was "an idea whose time has come," and was in line with moves to modernise and democratise the party.

Mr Ken Livingstone, the left-wing legislator, and Mr Bryan Gould a moderate close to Mr Kinnock, who has helped spearhead Labour's radical facelift, were both elected to the policy-making National Executive Committee.

Both men are rising stars within the party. The two symbolise alternative approaches to Labour's future and their joint election reflects their personal media impact.

World Weather

UK minesweepers ordered to Dubai

Continued from Page 1

land and Iranian artillery pounded the Iraqi port of Basra, Security Council members were due to continue consultations on possible inducements which might persuade the Iranians to accept resolution 598 ordering a ceasefire.

However, there was widespread doubt that Tehran would comply after the renewed demand by Mr Ali Akbar Hashemi Rafsanjani, the Speaker of the country's parliament, for the overthrow of President Saddam Hussein of Iraq as a precondition for ending the war. Instead, there are fears of a major escalation of the war, with Iraqi officials now privately predicting a big Iranian land offensive in October.

●Iran has become the second largest supplier of crude oil to the United States, providing Tehran with about one-third of its total oil revenues, Reuter reports from Washington.

According to the agency, the Washington Post, quoting a new analysis of US oil imports, said a surge in Iranian shipments to the US this summer had pumped more than $700m into Iran's economy.

The surge, which coincided with growing military and diplomatic tension between the two countries, was documented in US Commerce Department figures cited by Mr John Roberts, of the Middle East Institute in Washington, the Post said.

In July, the US imported 19.6m barrels of Iranian crude at a cost of $359m, the paper quoted Mr Roberts as saying. Only Nigeria supplied more.

The Iranian shipments amounted to more than 11 per cent of US oil imports. US oil payments to Iran for the three months ending in July exceeded the annual average in each of the previous three years, Mr Roberts said.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday September 29 1987

Boone Pickens wins one round of Newmont battle

BY ANATOLE KALETSKY IN NEW YORK

MR T BOONE PICKENS, the Texas corporate raider, has won one round of his court battle with Consolidated Gold Fields of the UK over the control of Newmont Mining, the leading US gold and coal producer.

The Delaware Chancery Court decided yesterday that Gold Fields must temporarily put into escrow the 15.8m Newmont shares which it acquired last week in a huge market sweep designed to thwart Mr Pickens' $6bn takeover bid for Newmont.

The court also confirmed an earlier injunction against Gold Fields buying any more shares in Newmont until a hearing on Thursday decides on the legality of the earlier purchases.

At least until Thursday, therefore, Gold Fields will not be able to cement its control over Newmont by using the voting rights on the 49.7 per cent stake in the company which it owns after last week's market sweep.

Wall Street arbitrageurs felt that the court ruling re-opened the possibility that Mr Pickens' bid of $105 *a share for Newmont might succeed.* The company's stock price jumped $4 to $98½ in morning trading.

Thursday's court hearing will determine whether Gold Fields' purchases last week violated federal securities laws by "locking out" Newmont shareholders from the possibility of a successful tender offer by Ivanhoe Partners, Mr Pickens' vehicle for the Newmont bid.

The court said that Gold Fields' "street sweep" was "sufficiently indicative of a possible fiduciary violation by Newmont's directors aided and abetted by Gold Fields" to justify a temporary restraining order.

Securities lawyers have noted, however, that "street sweeping" is a practice that courts have repeatedly frowned on but rarely managed ac*tually to strike down on legal* grounds.

In fact, the absence of laws against street sweeping has prompted the Securities & Exchange Commission to propose new regulations that would make the practice explicitly illegal under many circumstances.

However, the new regulations, which were proposed by the SEC two weeks ago in a discussion document, would not become law for several months.

Changes at Petrofina board

BY TIM DICKSON IN BRUSSELS

THE INCREASED influence of Belgium's two leading commercial and industrial holding companies over Petrofina was confirmed yesterday with the announcement of two new board appointments at the oil exploration group.

The two vacancies created by the recent resignations of Sir Dermot de Trafford and Mr Michael Rendle will be filled by Baron Guy de Wouters, a director of Société Générale de Belgique and president of the management committee of Tractabel, and by Mr Emile Quevrin, managing director of Groupe Bruxelles Lambert.

The development is a direct result of the successful takeover by GBL and Tractabel, an affiliate of Société Générale, of Contibel, the Belgian part of the old Imperial Continental Gas group.

Analysts in Brussels point out that the two bidders were keenly interested in Contibel's 7 to 8 per cent stake in Petrofina, which added to their own direct and indirect holdings has given them an estimated 25 to 30 per cent of the shares of the oil company. This makes them by far the biggest shareholders and is seen as providing protection against any unwelcome advances.

Notwithstanding the new board *appointments, neither GBL nor* Société Generalé is thought to be intent on making significant changes at Petrofina,

Pechiney surges to FFr270m profit

BY GEORGE GRAHAM IN PARIS

PECHINEY, the French state-owned aluminium and copper producer, has launched its campaign to be privatised by more than doubling its first-half net profits to FFr270m ($44.5m) and promising an even better performance in the second half.

The group's main aluminium operations, which suffered at the end of last year from poor market conditions coupled with a falling dollar, is now benefiting from higher metal prices, but said this will not show through in profits until the second half, because of the delay between booking orders and receiving payment.

Restructuring plans have been begun and will show through in the accounts in the second half for the electrometallurgy division and in 1988 for heavy carbon products.

The sale of half of Pechiney's interests in the Becancour Aluminium plant for around $230m and the transfer of its copper activities to Europa Metalli, in which Pechiney will hold 20 per cent, will be included in the second half accounts.

MLX to acquire Rheem for $825m

By Our Financial Staff

MLX, a Michigan-based refrigeration, air conditioning and friction materials group quoted on the US over-the-counter market, has signed a definitive agreement to acquire Rheem *Manufacturing* for about $825m in cash and common stock from Pace Industries.

Rheem is the largest US producer *of residential furnaces and water* heaters and the second-largest producer of residential central air conditioners.

Its sale by Pace had been eagerly awaited in the industry, and a number of companies, including York International, the world's largest independent refrigeration and air conditioning group, had also bid.

MLX said the consideration will include about 9.5m common shares. Mr William Panny, chairman and chief executive, said *MLX was* delighted to add a company with the quality, tradition and profitability of Rheem to the MLX family.

Products manufactured by Rheem are marketed nationally under the Rheem, Ruud, Raypak and Richmond brand names. MLX said Rheem had 1986 sales of $725m.

General Mills jumps 30% in first-quarter

By Our Financial Staff

GENERAL MILLS, the major US packaged foods, *restaurants* and speciality retailing group, yesterday reported a 30 per cent rise in first-quarter profits and said it was "on the path towards another year of excellent performance."

Net earnings from continuing operations rose from $60.3m or 67 cents a share to $77.2m or 87 cents. In the 1985/86 period, a loss of $1.2m from discontinued operations reduced net profits to $59.1m.

James Buchan and **John Wicks** report on an unexpected purchase by ICN

No panic at Hoffmann-La Roche

FOR ABOUT a year now, Mr Milan Panic, a former bicycling champion of Yugoslavia, has been saying he is going to buy a big drug company.

People thought Mr Panic, who is 57, was looking for a sales force of a couple of hundred to go round to doctors and promote his wonder drug, a treatment called Ribavirin which he claims is effective against a host of viral infections, including *the virus believed to cause Aids.*

Last week, Mr Panic, a compact and energetic man with seemingly limitless horizons, showed what he meant by a big drug company. ICN Pharmaceuticals, his tiny Californian research house, announced it owned 6.3 per cent of the voting stock of Hoffmann-La Roche, the Swiss pharmaceuticals company, best known for its immensely successful tranquilliser, Valium.

Wall Street, which has sold ICN *stock down from $30 at the beginning* of the year to just $12½ yesterday, took the announcement in its stride. "It's fairly ridiculous," said Mr Kenneth Bohringer, an *analyst* at Prudential-Bache. "ICN is too small for Roche's ball game."

After a sharp run-up in its share price this year, Hoffmann-La Roche is valued at around $8bn in the market, nearly 40 times the capitalisation of ICN. The Swiss company last year reported net income of SwFr415.9m on sales revenues of SwFr7.8bn.

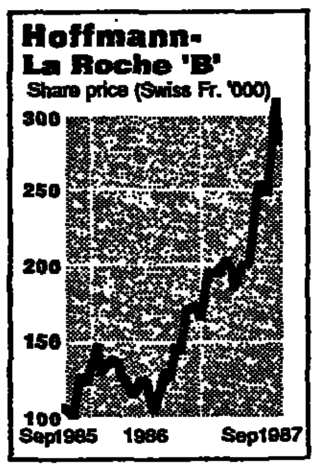
After some disastrous acquisitions caused it to lose money *throughout the 1970s, ICN last year* earned only $9.4m on revenues of $102.8m, and this year it will be lucky to match that.

Because a bidder only needs control of the Roche voting stock to gain control of the company, ICN could theoretically capture Roche for an outlay of something over $2bn. Its present holding is worth about $210m. But Roche seems to be all but impregnable to takeover.

ICN owns about 1,000 of the 16,000 voting shares. But the majority of the voting stock is believed to be held by members of the Hoffmann family. The most prominent of these family shareholders – and also a board member – is Dr Paul Sacher who said at the weekend that the family holdings were "virtually unassailable." The company also believes that part of the non-family voting stock is in "secure hands."

Finally, the *last thing Mr Panic* needs is an international sales force for the wonder drug he has been pushing for 17 years. It has not even been licensed for any significant application at home. The US drug-licensing authority, the Food and Drug Administration, has firmly rejected ICN's application for a Ribavirin licence to treat a pre-Aids condition known as lymphadenopathy syndrome (LAS).

Although the drug has some passionate supporters in the medical community and among spokesmen for the homosexual groups at risk from Aids, the FDA has doubted in *public that the drug, marketed as* Virazole, is effective or safe.



A congressional committee is also *investigating* allegations that the company's submission to the FDA was badly flawed. In the US, Ribavirin can only be prescribed for a little known, infant respiratory disease called RSV.

Despite his persistence, Mr Panic still does not have a business for the drug. But he does have a lot of cash. In the past 30 months, ICN has successfully marketed Ribavirin to investors in Europe – especially Switzerland – to raise some $500m in new capital.

ICN's $5m in net income in the six months to May was earned entirely from its cash and portfolio investments, worth well over $400m.

But the bulk of the debt securities issued to raise the cash are convertible into ICN stock. On full conversion, these Eurobonds would increase the company's outstanding common stock by half as much again.

If Ribavirin is still not approved for a significant illness in major markets, is is hard to foresee any demand for the extra shares. This would mean a collapse in *ICN's* stock price. That is why Mr Panic needs an acquisition so urgently.

But Wall Street does not believe this acquisition will be Hoffmann-La Roche. ICN is probably hoping that it can stir some interest in the Swiss company from better capitalised international groups such as Merck of the US or Ciba-Geigy of Switzerland. If there were an offer for the company, Mr Panic could cash in his 1000 voting shares for a handsome profit.

But even without a bid for Roche, ICN is already sitting on a profit. Mr Panic will not discuss the Roche *investment but he did tell a Swiss* newspaper that it was purchased before July.

Wall Street expects Mr Panic *either to sell the shares and take* his profit or, conceivably, to issue further securities which could be convertible either into Roche or ICN stock.

"ICN is trying to increase its cash assets further," says Mr Bohringer of Paine Webber, "while it shops around for a company to buy."

Disney and Brierley to buy Wrather

BY OUR FINANCIAL STAFF

WALT DISNEY, the US leisure group, has teamed up with Mr Ron Brierley's Industrial Equity (Pacific) to buy Wrather, a California-based hotel and property group for $152m.

Under terms of a definitive agreement, a company 50 per cent owned by Disney and 50 per cent owned by Industrial Equity will pay Wrather stockholders $21 per share, the companies said. There are 7.25m Wrather shares outstanding.

Wrather's assets include the Disneyland hotel complex in Anaheim, California, and leasehold interests in the Queen Mary and Spruce Goose attractions in the port of Lono Beach, as well as other land, property and oil and gas holdings, the companies said.

In addition, members of the Wrather family, who own about 36 per cent of Wrather's shares, have agreed to sell their shares to the jointly owned company for $21 per share.

Completion of the merger is subject to approval by a majority of Wrather's stockholders.

Members of the Wrather family and Industrial Equity (which has approximately a 28 per cent block) have agreed to vote in favour of the merger, which is expected to take place at the end of the year.

Lawson Marden expansion plans

By Robert Gibbens in Montreal

LAWSON MARDEN, the former BAT Industries packaging subsidiary acquired by management in a leveraged buy-out two years ago, is expanding in continental Europe by acquiring Prentesaux-Toulemonde of France for an undisclosed sum.

The Ontario based Lawson has more than 40 plants in Britain, 16 in Canada, two in West Germany and one in Ireland.

Midland Bank sells Viennese offshoot

By Judy Dempsey in Vienna

MIDLAND EXPORT CREDIT BANK has been acquired by Oesterreichische Laenderbank, Austria's second biggest bank, for an amounted believed to be less than £3m ($4.9m).

Officials at the Midland Export Credit Bank, which was set up in Vienna in 1982 by the Midland Bank, described the move as part of the UK clearing bank's strategy of reorganising its international and trade operations.

Midland Export Credit Bank said: "Given the change of strategy, we could not justify this bank in Vienna, especially since most of our customers are based in the UK." Trade and other business with eastern Europe would, in future, be handled from London.

Midland Export Credit Bank received a capital injection of more than Sch62m ($5.2m) in 1982. At the end of last year it had net capital resources of Sch147m.

Mr Josef Fritz, a senior official at Laenderbank, said it had, for some time, been seeking to expand in eastern Europe. "The Midland has the special know-how," he added.

"We found a company which suits us well and one which will broaden our traditional strength in the export area. We are now in a position to offer more services to customers."

Laenderbank will take over the operations of Midland Export Credit Bank immediately. It is expected that the bank's staff of 23 will be retained by Laenderbank.

Austrian bank to place shares

By Our Vienna Correspondent

A SECONDARY offering of shares by Oesterreichische Laenderbank of Austria is to be made as part of its plans to reduce the state's shareholding in the bank.

Over the next few days, the state will sell Sch100m ($8m) of shares, mostly to foreign investors. They will be listed on the Frankfurt and Dusseldorf Stock Exchanges and later on the Brussels exchange.

Until recently, the Austrian Government held a 60 per cent share in Laenderbank, Austria's second largest bank. Under the terms of the new privatisation law, the state can sell its shares but must retain a minimum 51 per cent holding in the company.

The issue will reduce the state interest to 54 per cent.

Volvo to expand car engine plant

By Kenneth Gooding, Motor Industry Correspondent

VOLVO is to spend SKr1bn ($145m) to expand its car engine plant at Skovde, in Sweden, and increase capacity by 20 per cent.

This is to enable the factory to keep pace with output of its 200 and 700-series cars, which is planned to increase progressively from 300,000 to 350,000 a year.

Roussel Uclaf buoyed by exceptional gains

BY GEORGE GRAHAM IN PARIS

ROUSSEL UCLAF, the chemicals group jointly controlled by Hoechst of West Germany and the French state, boosted net earnings in the first half of 1987 by 66 per cent, to FFr350m ($57m), but the gain was due to an exceptional profit of FFr201m from the sale of its Rochas perfumes and cosmetics subsidiary.

For the whole year, Roussel Uclaf expects group profits to show a fall of about 15 per cent from last year's FFr384m - which was down 26 per cent from 1985's record profits - excluding the proceeds from Rochas, sold to Wella, the West German company, in June.

Without the Rochas sale, gross cash-flow on current operations fell by 20 per cent in the first half, to FFr330m, the group said. It ascribed the fall mainly to the decline in the exchange rate of the dollar, which averaged FFr6.10 in the first half of 1987, compared with FFr7.20 in the same period of last year.

Group sales in the first half totalled FFr4.89bn, down 8 per cent from the same period of 1986.

Partially nationalised in 1982 along with other big French industrial companies, Roussel Uclaf's board has now passed back to the control of Hoechst, which retains a 55 per cent stake.

Roussel Uclaf sold its Rochas business earlier this after a difficult period of trading for the perfumes company. Its sales last year fell by 10 per cent.

The company remained in the black, but it suffered a blow to trading. Foreign turnover was hit hardest, with sales in the Middle East noticeably lower.

BHF improves operating profit

BY HAIG SIMONIAN IN BERLIN

TOTAL operating profits at Berliner Handels-und Frankfurter Bank (BHF Bank), the West German merchant bank, rose slightly in the first eight months of 1987, due to appreciably higher earnings from own-account trading.

Mr Klaus Subjetzki, one of BHF's managing partners, said however that partial operating profits - which exclude such trading income - fell 16.7 per cent against the same period last year.

The bank, which gave no precise profit figures, said partial operating earnings at the end of August had recovered from the almost 19 per cent fall reported at the interim stage. Earnings for the year as a whole should be "satisfactory."

BHF seems to have been less affected than some counterparts by this year's lacklustre German stock market, which has made it hard to repeat last year's high levels of fee income. Moreover, its interest earnings have increased thanks to higher business, in spite of a slight fall in the bank's interest margin.

However, BHF's partial operating profit has been hit by significantly higher costs following its expansion plans.

Staff costs rose 8.2 per cent, while overall operating expenses were 8.8 per cent up. This relects higher domestic wage costs and expenses in London, where the bank has opened a capital markets operation, and Tokyo, where it has just obtained a securities licence.

●Glunz, the West German wood processing group which claims to be Europe's largest chipboard producer, is to raise Dm80m ($43.9m) through a public offer of preference shares at Dm200 a share.

Subscriptions for the issue, which is being led by Deutsche Bank, open tomorrow. Glunz will be listed on the Dusseldorf bourse.

Van Ommeren in agreed bid for Dutch trader

BY LAURA RAUN IN AMSTERDAM

VAN OMMEREN, the Dutch shipping and storage group, plans a takeover bid for Ceteco, the Amsterdam-based trading company, in a deal estimated at about Fl 200m ($96m). If the offer succeeds, the enlarged Van Ommeren group would have turnover of about Fl 1.9bn.

Details of the agreed bid will be revealed tomorrow. Securities analysts in Amsterdam expect an offering price of about Fl 250 a share, or 9 per cent higher than last Friday's closing price. Share trading in both companies was suspended yesterday.

Van Ommeren, with turnover of Fl 1.2bn in 1986, is active in shipping, transport and tank storage in Europe and to a lesser extent in Asia and the Americas. It is modestly involved in trading through imports and exports of chemicals and food in Europe, the Middle East and the Far East.

The company expects earnings to drop by about 20 per cent this year but analysts have, for some time, been predicting a healthy rebound in 1988.

Ceteco trades in consumer goods and durable products as well as foods, aluminium products and timber products in Europe, south and central America, the Caribbean and Africa.

It suffered a 50 per cent decline in profits to Fl 4.2m in the first half of 1987, but is looking for a turnround by next year.

Property issue for Norwegian Stock Exchange

By Karen Fossli in Oslo

A NEW company, Aker Brygge, will be launched on the Oslo Stock Exchange in November, with a capital of NKr 200m ($30m).

The company's ownership structure includes a 20 per cent interest by Aker Eiendom, the real estate subsidiary of Aker Norcem, Norway's industrial group, and a 25 per cent interest held by Den norske Creditbank, Norway's largest bank.

The remaining 55 per cent of the shares will be offered to present shareholders in Aker Norcem, of which 30 per cent are British residents.

The share issue is to raise capital for further investments in new buildings yet to be constructed. The total Aker Brygge development will be completed in 1991 and will comprise office space, shopping boutiques and flats.

Dart Group looks for Dayton-Hudson meeting

BY OUR FINANCIAL STAFF

DART GROUP, the discount retailer controlled by the Haft family of Maryland, said yesterday that all terms of its $6bn offer to acquire Dayton-Hudson, the US department store group, remain negotiable, and it is seeking a prompt meeting with the Minneapolis retailer.

Last week Dayton-Hudson rejected the offer as inadequate.

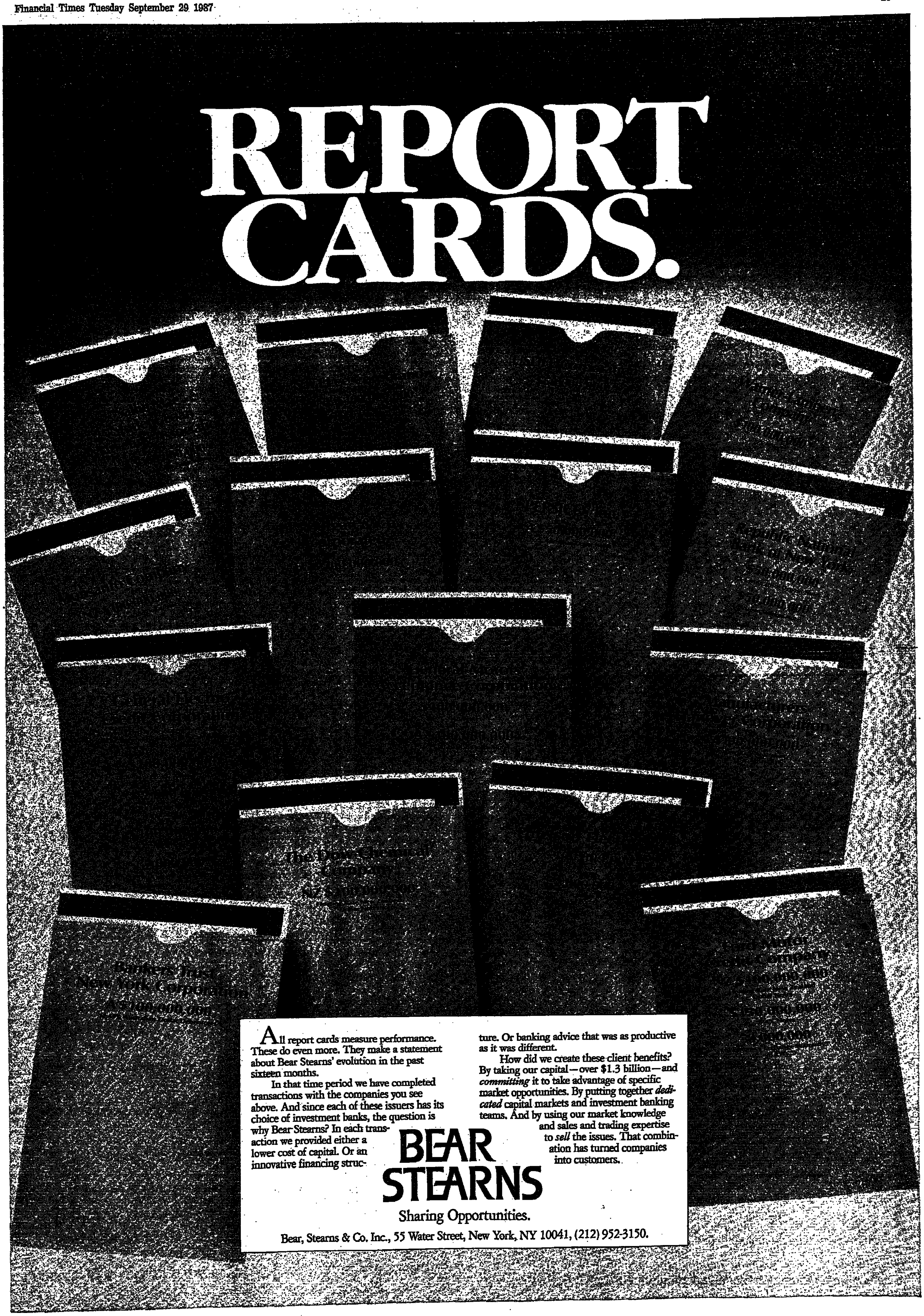
Dart has proposed paying Dayton-Hudson shareholders $65 for 95 of every 100 shares owned and an equity interest in the merged company for the remainder. Dart says it is still determined to acquire Dayton-Hudson.

Meanwhile Dayton-Hudson named Mr Bruce Allbright, chairman and chief executive officer of its subsidiary, Target, as president and a director from October 1. Mr Allbright will succeed Mr Boake Sells, who resigned last week as president.

Mr Robert Ullrich, president and chief operating officer of Target, will replace Mr Allbright as chairman and chief executive of the subsidiary, the company said.

Gotabank profit

IT WAS wrongly stated on September 24 that the Luxembourg subsidiary of Gotabanken of Sweden had incurred a loss in the first eight months of 1987. The operating result was considerably lower than last year, but the subsidiary stayed in profit.


REPORT CARDS.
All report cards measure performance. These do even more. They make a statement about Bear Stearns' evolution in the past sixteen months.
In that time period we have completed transactions with the companies you see above. And since each of these issuers has its choice of investment banks, the question is why Bear Stearns? In each transaction we provided either a lower cost of capital. Or an innovative financing structure. Or banking advice that was as productive as it was different.
How did we create these client benefits? By taking our capital—over $1.3 billion—and *committing* it to take advantage of specific market opportunities. By putting together *dedicated* capital markets and investment banking teams. And by using our market knowledge and sales and trading expertise to *sell* the issues. That combination has turned companies into customers.
BEAR STEARNS
Sharing Opportunities.
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INTERNATIONAL COMPANIES and FINANCE

London and Edinburgh seeks acquisitions

LONDON AND Edinburgh Trust managing director Mr Peter Beckwith said Agifel Properties, 67 per cent held by the company, will be looking for property acquisitions in Hong Kong and elsewhere in the Far East, Reuter reports from Hong Kong.

He also said that he hoped to reduce the company's stake in Agifel, acquired in August, to 60 per cent in order to diversify the locally-listed subsidiary's share capital.

He said Agifel, controlled through London and Edinburgh Properties NV of the Netherlands, will acquire its corporate parent Napton, whose sole asset is a Hong Kong residential property purchased in May, for HK$100m ($12.81m). Beckwith did not disclose the purchase price for Napton.

London and Edinburgh is also offering 85 cents per share for the 27 per cent of the Agifel stock it does not own, and 41 cents each for the 42 per cent of the warrants it does not hold.

The offers, which are required under Hong Kong takeover rules, are well below current market prices and are unlikely to be accepted. Agifel's shares traded at HK$3.40, up 32.5 cents, and the warrants were at HK$2.40, also up 32.5 cents.

London and Edinburgh Trust, listed in London, has property interests in the UK, West Germany, the Netherlands, France and the US as well as Hong Kong.

Chinese Estates in HK$3bn rights

BY DAVID DODWELL IN HONG KONG

CHINESE ESTATES, the Hong Kong property and investment group controlled by Mr Joseph Lau, is planning a rights issue to raise HK$3.0bn ($384m).

The issue comes just two weeks after Mr Li Kashing, one of Hong Kong's most powerful corporate figures, unveiled rights issue plans from his four operating companies intended to raise more than HK$10bn. It provides further evidence that Hong Kong companies are keen to exploit the current bull market to raise funds.

Talk in the Hong Kong market of several major companies considering rights issues has, until recently, kept share prices in check. However, the current rampant market mood seems to have shrugged off the first two issues to graduate from rumour to reality.

Unperturbed by news of another large cash call, investors pressed share prices to record levels in Hong Kong yesterday, with the Hang Seng index surging by more than 45 points to 3884.65, and the day's stock market turnover at a record HK$4bn.

Early last year, market turnover of more than HK$300m in one day was considered extraordinary. At present the market is averaging daily trading volumes of more than HK$2bn, but even in this context, yesterday's turnover was exceptional.

Chinese Estates is offering seven new shares and four warrants for every two shares already held - making a total of 3.03bn new shares to be issued. The shares are to be offered at HK$1.00 apiece. Trading in Chinese Estates shares was suspended on the Hong Kong stock market yesterday, at a suspension price of HK$1.97.

In addition, the company is offering 866m warrants to be redeemed in 1989, and a similar number of undated warrants.

Two substantial shareholders in Chinese Estates - Mr Lau's Evergo, and Asia Securities, controlled by Mr Bill Wyllie - are expected to take up their rights, accounting for 62 per cent of the offering, or about HK$1.8bn. This will leave just HK$1.2bn to be drawn from minority shareholders. Financial advisors to the group felt this would not put undue strain on resources in the local stock market.

Chinese Estates plans to use the funds raised by the rights issue to finance recent property purchases from Hongkong Land worth HK$2.4bn.

Mr Lau recently caused controversy by trying to take control of the Hongkong and Shanghai Hotels group, which has been headed for more than half a century by the family of Lord Kadoorie, Hong Kong's only representative in the House of Lords. The bid eventually failed, but only after a consortium of banks came to the rescue of the Kadoories, acquiring Mr Lau's holding on their behalf.

HK group plans international share offer

AN INTERNATIONAL offer of new shares equal to no more than 10 per cent of the company's capital is planned in a few weeks' time by Johnson Electric Industrial Manufactory, Reuter reports from Hong Kong.

A Johnson statement said the shares would be priced at or near the market price prevailing at the time of the offer. It added that Morgan Stanley International was arranger and lead manager, and James Capel and Co co-lead manager.

The company has a total of 280m shares on issue. Johnson shares last traded at HK$12.40 ($1,58) against Friday's HK$12.30 close.

Malaysian shipping line 70% up in first half

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN International Shipping Corporation (MISC), which obtained a public listing on the exchange early this year, said it was on target to achieving a projected aftertax profit of 245m ringgit ($98m) for 1987.

The shipping line yesterday reported first-half pre-tax profits of 143.8m ringgit, up 70 per cent over 84.25 in the same period last year. Turnover rose 25 per cent to 696m ringgit, against 558.35m.

The interim dividend is 5 cents.

Taxation was only 1.6m ringgit because of the generous tax allowances for the shipping industry.

MISC said the strong performance was due largely to the "full operation of all five liquid natural gas carriers." A better volume of liftings in the liner container trade and firmer freight and charter-hire rates in the bulk sector also contributed to the group net profit

The shipping line has a 20-year contract to carry 6m tonnes of LNG from the East Malaysian state of Sarawak to Japan.

MISC shares yesterday rose 30 cents to 8.75 ringgit, giving it a market capitalisation of 4.37bn ringgit. It is the biggest Malaysian company on the Kuala Lumpur Exchange. Foreign interest has been strong, and the foreign stake in the company is now believed to exceed 20 per cent.

ICI Australia launches finance unit

ICI AUSTRALIA said a new, wholly-owned, fully guaranteed finance subsidiary, ICI Australia Finance would start operations on October 1, Reuter reports from Sydney.

ICI said the subsidiary will be responsible for financing, money market and foreign exchange transactions.

It said Australian Ratings has confirmed that ICI Australia Finance commercial paper will carry the same rating as ICI Australia - AA-plus and A-1.

Mr Geoff Madder, ICI general finance manager, said the new company would have substantial borrowing facilities and would be the financing vehicle for group expansion in Australia.

Louise Kehoe on the prospects for the latest desk-top and portable personal computers

Compaq finds a powerful way to leapfrog IBM

COMPAQ COMPUTER is launching the world's fastest and most powerful range of personal computers. Leapfrogging archrival IBM, the Texas computer maker will introduce in the US today desktop and portable models which outclass even the most powerful of IBM's latest personal system/2 machines.

Mr Rod Canion, president and chief executive of Compaq, asserts: "IBM has abdicated its leadership position in the business personal computer market and we will happily step forward to take over."

The new Deskpro 386/20 and portable 386 are between 38 and 52 per cent faster than IBM's top of the line ps/2 model 80, Compaq claims. The Deskpro 386/20 will sell in the US for prices ranging from $7,499 to $12,499 with options including 60 to 300 megabyte hard disks.

The new portable 386, which weighs 20 pounds and will fit under an airline seat, is priced at $7,999 with a 40 megabyte disk or $9,999 with a 100 megabyte disk. According to Compaq the portable will be particularly appealing to auditors, accountants, software developers and field engineers.

The Compaq machines gain some of their speed by using new 20MHz versions of Intel's 386 microprocessor, whereas IBM and other personal computer makers use a 16MHz version of the microprocessor. Compaq claims, however, that it can maintain a 20 to 30 per cent performance advantage even if IBM switches to the faster micro chip.

With its new models, Compaq has also taken a bold step toward establishing its own standards for personal computing. The new machines are compatible with the standards established by IBM's original personal computers, but they do not conform to the new IBM Personal System/2 design.

Mr Canion says: "We are reinforcing the established industry standard, while IBM has taken a sharp left turn. What we have done is to counter IBM's position that it is necessary to move away from the industry standard in order to get higher performance."

Compaq notes, however, that all of its personal computers run "industry standard" software, and that the new 386 machines will be capable of running the new operating system that IBM has adopted for its Personal System/2 range.

With about 70 per cent of the high performance 386 market in hand, Compaq has pulled away from the pack in the top end of the personal computer market. To date, however, this segment remains quite small, representing only about 5 percent of the market.

Compaq's projected revenues for 1987 of $1.6bn compare with IBM's projected personal computer revenues of $10.5bn, making IBM by far the largest supplier in the world. "We have a long way to go before challenging IBM's total market leadership," Mr Canion acknowledges.

Nonetheless, Compaq's personal computer performance leadership is a major coup, say industry analysts. Compaq has established itself as the largest fish in the small pool of personal computer "power users" who seek the most powerful machines available. While this group may not be large, it tends to set the trends that the majority of PC buyers follow.

Compaq's rejection of IBM's new PS/2 architecture in favour of its own microcomputer design is not, however, without risks. Since IBM's April introduction of the new product range, the personal computer industry has been split over whether to attempt to "clone" the PS/2's internal design or, as Compaq has decided, to create a new systems architecture.

For most users, the internal workings of the personal computer do not matter so long as it can run standard software. But IBM has strongly hinted that future products such as computer networks, which are increasingly important to major business personal computer buyers, will depend on PS/2's unique design.

Mr Mike Swavely, Compaq's vice president of marketing charges: "That is just typical IBM FUD." By creating fear uncertainty and doubt in the minds of potential customers, IBM aims to dissuade them from venturing beyond "Big Blue," he suggests.

Nonetheless, the market confusion created by fragmenting industry standards for software and hardware is likely to lead many buyers to choose the "safe bet," which is always IBM, say industry analysts.

To clad itself in the role of "industry leader" Compaq will also be forced to spend heavily on advertising and marketing efforts. Mr Canion says: "We will be increasing our advertising and returning to television advertising in the US." Compaq has not advertised on TV in the US since 1985.

"We will also be speaking out on industry issues," he promises. The emerging battle to establish new industry standards and leadership should give Compaq plenty to think about.

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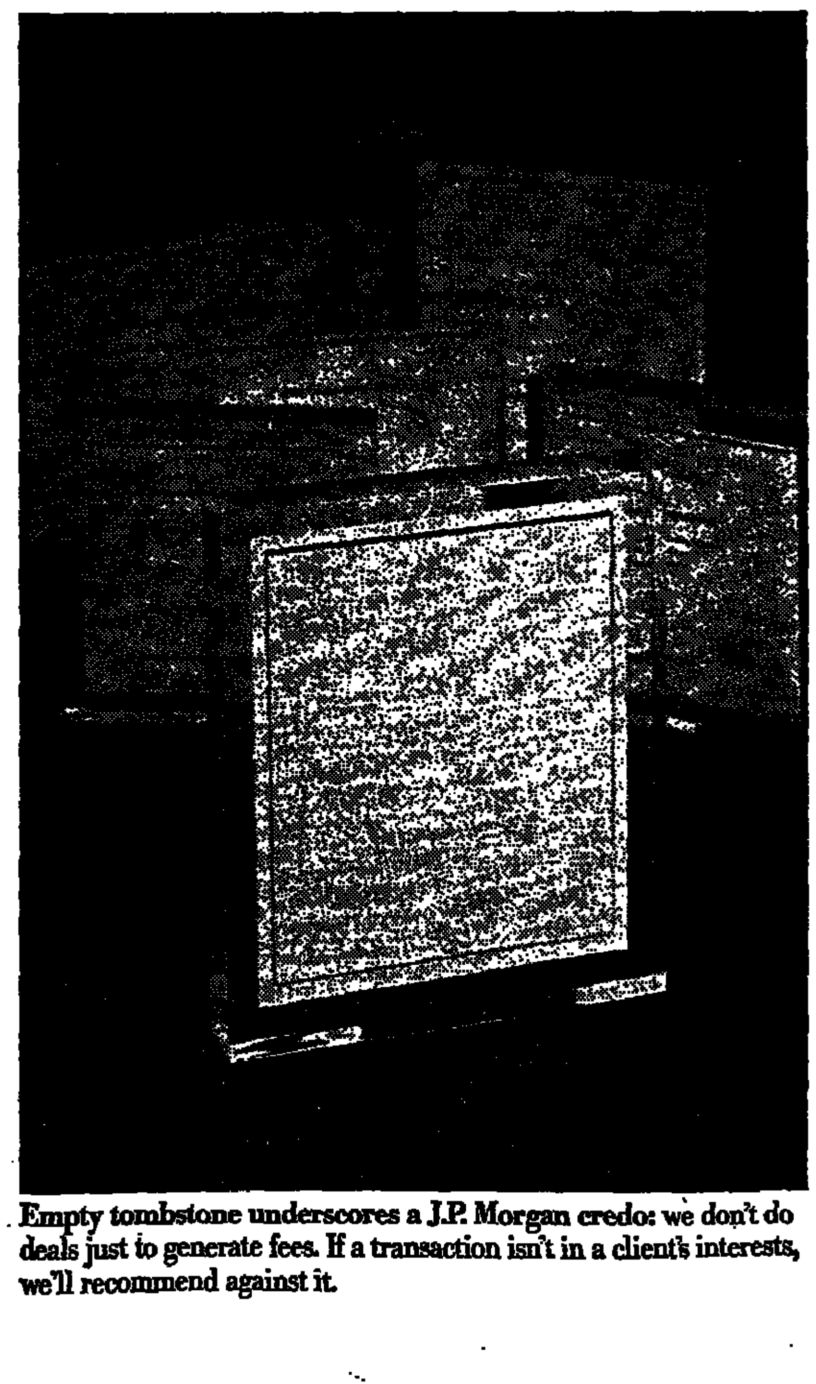
J.P. Morgan's key objective as a financial advisor and defense strategist is to forestall an unwelcome approach in the first place. Fully valued companies are rarely attacked or forced to restructure under pressure. So we work with you to find and implement measures that encourage a full valuation by the market of the company's stock. If a merger is to your advantage, we'll help you get the best price at the best terms. The point is, J.P. Morgan brings a relationship focus to a transaction-driven business, a philosophy that distinguishes us from other firms. We don't promote M&A transactions simply to generate fees, but offer objective financial advice that serves your best interests.



Empty tombstone underscores a J.P. Morgan credo: we don't do deals just to generate fees. If a transaction isn't in a client's interests, we'll recommend against it.

JPMorgan

David Lascelles and Stephen Fidler on a bank's global strategy

Morgan Stanley sticks to equities

MORGAN STANLEY usually prefers to keep a lower public profile than many of its brasher Wall Street investment banking rivals. But it recently found itself thrust into the headlines as a result of its unsuccessful efforts to buy Greenwell Montagu, the equity broking subsidiary of the Midland Bank.

Mr Archibald Cox, head of Morgan's London office, still refuses to comment on that event. He will not even confirm that *his company talked to Midland*, even though several Greenwell people are moving over to Morgan, including Mr Keith Brown, its former managing director. "We never comment on rumours", he says. All he will say is that "you have to keep an open mind" about acquisitions.

An acquisition would certainly have been rather unusual for Morgan, which has scarcely ever bought another business in its 54-year existence, preferring to grow organically and keep doing the things it knows it can do well. But an acquisition such as Greenwell Montagu would fit its present strategy of strengthening its position in the domestic market of major countries outside the US.

Seated in his glass-walled office overlooking Morgan's trading floor in Wimpole Street, Mr Cox says his company's main overseas strategy is to be involved in cross-border capital flows, trading international securities and currencies. He *claims that Morgan deals in a* wider ranger of financial instruments, and in a greater number of currencies and maturities than anyone else in the capital markets.

That claim may be open to challenge, but Morgan now has over 900 people in London, and two large trading floors (this is more than Morgan Stanley's total staff 10 years ago). It will also be one of the first securities houses to move into the new Canary Wharf office development *in London's Docklands*, where it has signed up for its own building.

About three to four years ago, Mr Cox says: "We realised you have got to be in domestic markets to some extent in order to *be involved in cross-border* flows." Since then Morgan has joined the stock exchanges of Tokyo (where it was one of the *first foreign members*), Frankfurt, London and Zurich.

Morgan's initial business in the UK, where it has been present since 1977, was trading US stocks and ADRs (American Depository Receipts for UK equities). *When Big Bang loomed*, Mr Cox and his colleagues decided not to follow the fashion of buying a UK brokerage firm because *of Morgan's belief in* organic growth.

It also did not apply to become a primary dealer *in the* gilt-edged market because this did not fit the firm's strategy. "We saw no profits there, and *there are not large internation*al capital flows," says Mr Cox. This decision stays: Morgan will not be applying to join the gilts market when the Bank of England re-opens the list at the end of October.

Instead, the company has concentrated on the equity side where it now wants to build up a large London-based research staff covering leading European stocks. This will be linked with Morgan's research staffs in New York and Tokyo to give it a globe-girdling capability. Alongside that, Morgan will also build up its trading and sales staff.

Mr Brown from Greenwell is a key part of that strategy. He will help put together a team of financial *services analysts*, though for contractual reasons he will not be joining until February 1. Other prominent analysts *who are expected to join* Morgan include Mr Robert Havell, the industrial holding company analyst from James Capel, and Mr Stuart Wamsley, the chemicals analyst, also from Greenwell. Altogether, some five or six people are moving over from Greenwell.

Morgan has just started making markets in 16 to 20 UK blue *chip stocks*, and will be increasing this number as time goes by. Contrary to more ambitious moves by other US houses, such as Shearson Lehman which has just cut its range from 400 to 200 stocks, Morgan prefers to move *cautiously. The profitability of* the London office is said to be good.

In the Eurobond market, the firm was a successful early entrant in the business of convertible and other equity-related bonds. Demand for these securities has grown apace in the international market while interest in straight Eurobonds has waned, and Morgan is regarded by outsiders as being one of the beneficiaries from this trend. The firm says it is still committed to the Eurobond *new* issue market, although intense price competition has made it into "a commodity business".

The company even claims to have done reasonably well during the general deterioration of fixed-interest markets this year - unlike some of its competitors. To Morgan's management, this further underlines the importance of size: "We had enough flows to trade ourselves out of bad positions," Mr Cox says.

The prominence of securities dealing in *Morgan's London of*fice runs contrary to its traditional reputation in New York for corporate finance work, and *mergers and acquisitions*. But Mr Cox challenges that impression on two grounds: Morgan's new York operations have a much bigger dealing side than some people think. And in London, Morgan has a mergers and acquisitions staff totalling 26, though most of its work is in trans-Atlantic and cross-border European deals, rather than in *the UK market*.

Autopistas in equity warrants offering

By Clare Pearson

SALOMON BROTHERS International *is to lead a novel secondary offering of shares with equity warrants attached in the international markets for Autopistas del Mare Nostrum*, the motorway operator.

The warrants, which will be listed in Luxembourg, will provide the first opportunity for either foreign or Spanish domestic investors to buy options on a Spanish equity, as none are available on the Madrid Stock Exchange.

The issue of 10m shares will amount to around Pta1.76bn ($14.5m). The ratio of shares to warrants is expected to be in the range three- or four-to-one.

Banco Central, the Spanish bank which is Aumar's main shareholder with 85 per cent of the company, is selling the shares. *The offering will re*duce its stake by around 15 per cent.

Between 10 and 20 per cent of the issue, which will be priced next Monday, is to be privately placed with US institutional investors.

● *Baloise-Holding*, the Swiss insurance company, is selling around SFr75.9m ($50.2m) *worth of new bearer participa*tion certificates (BPCs) which are to be distributed both in Switzerland and abroad.

The 23,000 BPCs are being divided equally between the Swiss syndicate, headed by Swiss Bank Corporation, and the international group led by Swiss Bank's London arm.

The offering, which will be *priced on or before October 1*, increases the number of Baloise's BPCs by 8.4 per cent. Fees for the deal *total* 3½ per cent.

Issue activity muted but A$ deals well received

BY CLARE PEARSON

PRICES OF Eurodollar bonds drifted lower yesterday in thin trading, as dealers digested the weekend reaffirmation by leading industrial nations *of last* February's Paris agreement to stabilise the dollar.

Dealers said they expected the foreign exchange market to test the resolve of central banks to defend the US currency. Ahead of this, bond prices were likely to fall further in thin turnover as retail investors held back from committing *funds*.

Yesterday, Eurodollar bond prices registered losses of around ⅛ percentage point, tak*ing their* cue *from* the US Treasury bond market which was depressed by the prospect of the US Treasury's refunding operation, now scheduled *for this* week and next.

With all sectors of the Eurobond market afflicted by continuing concerns about the direction of the dollar, new issue activity was muted.

However, the Australian dollar sector saw *two* issues, both of which were accorded a *fairly* positive response.

Australian dollar *specialists* said the market *had* been cleared of most of the overhang of recent paper by the low level of primary *market* activity over the last few weeks. Borrowers have been kept out of the market as the rally *in* the Australian domestic market has made swaps increasingly difficult to achieve at realistic levels.

But though *the* **World Bank's** A$70m *seven-year issue* yesterday looked fairly aggressively priced with a 12¾ per cent coupon and 101⅝ issue price, the appeal *of the* Bank's name ensured a favourable response. The deal, led by Banque Paribas Capital Markets, traded *within 1⅞ per cent fees* at less 1.80 bid.

Since the other deal of the day - **National Westminster Bank's** A$50m *five-year bond* - was not being swapped, lead-manager County NatWest was able to price it with a 13⅛ per cent coupon and 101⅞ issue price. This bond traded at around less 1½, ½ point within its total commissions.

The only other new issue of the day was a $72m floating-

INTERNATIONAL BONDS

rate note for a special vehicle, Sabre 6, backed by $100m worth of Japanese ex-warrant bonds. The deal, priced at 100.05 and paying 25 basis points over six-month London interbank offered rate, had mainly been placed with investors. It was led by Yamaichi International (Europe).

Prices of Japanese equity warrants bond generally improved in response to weekend gains in the Tokyo stock market. The most recent issue, a deal for **Sumitomo Electric**, was quoted at less ¼ bid.

Prices of domestic D-Mark bonds fell by about ¼ point, pushing the average yield on *public bonds up to 6.23 per cent*, its highest level this year. This compares with a nine-year low in mid-May of 5.24 per cent. Dealers said the prospect *of a* new Federal bond expected in the next few weeks was overshadowing the market.

In the D-Mark Eurobond market, Deutsche Bank led an unusual DM100m bond for **Leykam Murztaler**, the Austrian paper and pulp manufacturer, which *marked the first equity war*rants bond for an Austrian company.

Existing shareholders in Leykam have the right of first refusal over the issue until October 12. However, Creditanstalt Bankverein, the main shareholder, has pledged not to take up its pre-emptive *rights*, so at least DM65m worth of the issue is available to international investors at the *outset*.

The deal met an enthusiastic response yesterday, and traded *as high as 129, against a 125 is*sue price. Each 6½ per cent seven-year bond has two warrants exercisable into 28 shares at Sch378, which compares with a close last Friday of Sch375. The all-in premium is around 20 per cent.

The Swiss market was little changed following the Group of Seven meeting, although the *market showed some tendency* to firming slightly.

The one new issue in Switzerland was a *private placement* for **Nichimo**, a Japanese builder and marketer of condominiums. The SFr100m convertible issue, through Handelsbank NatWest, carries a 5½ year maturity, and an indicated coupon of ⅝ per cent.

*A convertible private place*ment for **Fuji Bank** through Union Bank of Switzerland is expected later in the week, possibly for SFr200m.

Olivetti pre-tax profits down by 13.6% midway

BY ALAN FRIEDMAN IN MILAN

OLIVETTI, the Italian office automation group, suffered a 13.6 per cent decline in its pre-tax profit for the first half of the current year, to L224.7bn ($172m).

The downturn, which reflects the *incorporation of losses at* the group's Triumph-Adler office equipment subsidiary in West Germany as well as sharply lower orders of personal computers from American Telephone & Telegraph (AT&T) in the US, was struck on first-half sales of L3,123bn ($2.4bn).

Sales were up by 14 per cent on the equivalent period in *1986*, but *only* L3 per cent higher if Triumph-Adler revenues are stripped out.

The performance is in line with a forecast given last June by Mr Carlo De Benedetti, Olivetti's chairman, who predicted a decline in 1987 profits. Last year Olivetti reported a record L565.5bn group net profit on L7,317bn of group sales.

Olivetti stressed yesterday that it considers 1987 to be a "year of transition" with a renewal of the group's product *line and the restructuring of* Triumph-Adler. This year Olivetti is expected to cover between L50bn and L100bn of Triumph-Adler's losses. Volkswagen, which sold T-A last year, will take the rest of the deficit onto its books.

Olivetti said its shareholders' funds totalled L3,190bn at June 30 and its net cash balance stood at L558.3bn.

CMS Energy close to raising gas plant funds

BY JOHN WICKS IN ZURICH

CMS ENERGY, the US power company, is within weeks of raising the necessary equity for its Midland co-generation venture project, according to Mr William McCormick, the chairman.

The plant, the largest of its *kind in the US, is intended to go* into commercial operation in early 1990 with a capacity of 1,370 Mw of electricity and up to 1.35m lb per hour of steam.

The company was set up in May as a holding group for the existing utility, Consumers Power. To enable the conversion to natural gas firing of the mothballed nuclear power station in *Midland, Michigan, CMS Energy* set out to bring in minority shareholders.

Apart from the 49 per cent stake provided by CMS Energy itself in the shape of plant and equipment, outside companies have now come up with all but 9 per cent of the foreseen equity. *These are Coastal and Panhan*dle Eastern, the gas pipeline companies, Fluor, the construction group, Brown Boveri and Combustion Engineering, the equipment suppliers, and Dow Chemical, the biggest single industrial user.

Negotiations are almost complete on construction financing for the plant. First National *Bank of Chicago and the three* co-managers, Swiss Bank Corporation, Algemene Bank Nederland and Bank of Montreal, have agreed to lend up to $675m. Most of this will be covered when outside equity of some $450m is paid up by the end of 1989.

ISDA starts listing floating interest rates

BY OUR EUROMARKETS STAFF

THE INTERNATIONAL Swap Dealers' Association (ISDA) has started daily publication of floating interest rates in a bid to give dealers and market users a benchmark.

Publication of the rates is part of the association's efforts to streamline the swaps market and the rates are expected to be used in conjunction with the association's standard for contracts. ISDA *may in the future* extend the service to cover actual swap rates.

The rates, published on the Reuter Monitor, cover London interbank offered rates for the US dollar, sterling, yen, Swiss franc, D-Mark and Ecu, and interbank rates from Paris, Frankfurt, Amsterdam, Brussels, Luxembourg, Hong Kong and Tokyo.

US dollar commercial paper rates, Canadian dollar bankers acceptance rates and Canadian dollar Treasury bill rates are also published.

Sesdaq index from UOB

UNITED OVERSEAS Bank (UOB) has developed an index to reflect the performance of the stocks listed on the Stock Exchange of Singapore Dealing and Automated Quotation System (Sesdaq), Reuter reports from Singapore.

Sesdaq, launched on February 18, is Singapore's second securities market with a total of five companies listed. The UOB Sesdaq Index (Base 100 = February 18) covers all the stocks listed so far and will be adjusted when there are new, bonus or rights issues. The index stood at 79.01 yesterday.

Chicago bank lowers sights

NORTHERN TRUST, the Chicago-based bank, is reorganis*ing its government securities* division and in the process has decided no longer to seek to become a primary dealer with the Federal Reserve, AP-DJ reports from Chicago.

The bank was a primary dealer until May 1986, when the Fed dropped it from that status because its volume of government securities business had fallen below Fed standards.

Primary dealers are those with which the Fed conducts its open market operations. There are currently 40 of them. There is considerable prestige attached to primary dealer status with some investors only willing to conduct their business with such dealers.

Gotabanken

IT WAS wrongly stated on September 24 that the Luxembourg subsidiary of Gotabanken *of* Sweden incurred a loss in the first eight months of 1987. The operating result was considerably lower than last year, but the subsidiary stayed in profit.

Nagoya SE plans options trading

THE NAGOYA Stock Exchange, Japan's third largest, has decided to inaugurate a stock options trading system in 1989, AP-DJ reports from Tokyo.

The move follows reports that *its larger rivals in Tokyo and* Osaka are contemplating similar moves.

An advisory body to the exchange will determine specifically how such trading will be conducted and what types of securities the system will focus on. Though no categorical decisions have been made, Nagoya *officials are said to be leaning* toward a stock index options system.

The Osaka Stock Exchange initiated Japan's first stock index futures system this spring in an effort to popularise this type of trading among Japanese investors. The Tokyo Stock Exchange, Japan's largest, said recently it is studying various types of futures and options trading that can be brought on line by the end of the decade.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	90½	91	-0⅛	-1	10.19
All Nippon Air 9⅝ 97	100	90½	92	-0½	-0¼	10.77
American Brands 8¾ 92	150	95¼	95⅝	0	-0⅛	10.12
A/S Eksportfinans 7⅝ 93	100	88½	89	+0⅛	0	10.14
A/S Eksportfinans 7¼ 92	150	91⅛	91⅝	-0⅛	-0⅛	9.77
B.P. Capital 9¼ 94	100	†96¾	96¾	0	0	9.80
British Telecom 7⅛ 96	250	83⅛	83⅝	-1⅛	-1	10.57
British Telecom 8⅞ 94	150	93⅜	93⅞	0	-0⅛	10.20
Campbell Soup 10½ 95	100	101⅛	101⅞	+0⅛	-0⅛	10.19
Canada 9 96	1000	93⅝	94⅛	-0¼	-0¼	10.09
Canadian Pac 10¼ 93	100	101⅞	102⅜	-0¼	-0⅛	10.22
C.C.C.E 7¼ 91	113	91⅛	91⅞	0	-0⅛	9.70
C.N.C.A 7¼ 91	150	90⅞	91⅜	-0⅛	-0½	9.90
Citicorp 8¼ 93	200	†88¾	89¾	-0⅛	0	10.85
Credit Lyonnais 9 91	200	97⅛	97⅝	-0¼	-0½	9.81
Credit National 7⅛ 92	100	91⅛	91⅝	+0⅛	-0¼	9.78
Credit National 7¼ 91	150	91⅝	92⅛	-2⅛	-2½	9.67
Denmark 7⅛ 92	500	89¾	90¼	0	-0⅛	10.00
Denmark 8¼ 91	300	95½	96⅛	+0¼	+0¼	9.62
E.E.C 7 91	100	91¼	91¾	-0⅛	-0¼	9.54
E.E.C. 7¼ 93	250	88⅞	89⅜	0	-0½	9.91
E.E.C 8¼ 96	100	88⅛	88⅝	-0¼	-1¼	10.32
E.I.B. 7⅝ 93	100	89	89½	0	-1	10.01

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	91½	92	-0⅛	-0⅛	6.16
E.I.B 4⅝ 94	40	91½	92	-0⅛	-0⅛	6.18
Elec. De France 5⅛ 94	20	94¼	94¾	-0¼	-0⅛	6.17
Kansai Electric 4⅝ 94	60	92⅛	92½	-0¼	-0¼	6.08
Norway 4⅝ 92	60	93⅛	93½	-0⅛	-0⅛	5.97
S.N.C.F. 4⅞ 95	20	94⅛	94⅝	-0⅛	-0¼	6.08
Sweden 5⅛ 95	20	96	96½	-0⅛	-0⅛	6.23

Average price change... On day -0⅛ on week -0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	†103¾	103¾	0	+0⅛	12.51
American Brand 9½ 94 £	50	95⅛	95⅝	+0¼	-1½	10.49
American Express OC.10 94	40	97	97½	+0¼	-1½	10.58
Bergen Bank 15 90 A$	50	†102½	103½	0	-0¼	13.34
BP Capital 13¾ 92 A$	75	103¾	104¼	—	—	12.57
Chrysler Crp 10 91 C$	75	97⅞	98⅜	0	+0⅛	9.91
C.O.E. 8⅞ 95 LF	600	†104¾	105¾	0	0	7.96
Creditanstalt 14¼ 90	60	102⅞	103¾	0	-0⅛	12.68
Denmark 7¾ 92 ECU	100	98⅜	98⅞	0	-0⅛	8.16
DG Fin. Co. 13⅞ 90 A$	50	103	103½	—	—	12.40
DG Fin. Co. 14 90 A$	75	103¾	104½	—	—	12.23

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Inchcape rises 39% midway

Inchcape, the international merchant and motor vehicle distributor, increased pre-tax profits by 39 per cent from £39.7m to £55.3m in the six months ended June 30.

Mr George Turnbull, chairman, said the company's new strategy, organisation and management were proving effective but it would take time for some of its actions to achieve their full benefit.

Prospects were good and this should continue to be reflected in future results.

A breakdown of profit by class of business showed that motor vehicles contributed £27.7m (£23.9m); next came insurance services with £11.3m (£6.9m) followed by marketing and distribution £7.5m (£3.8m). Timber contributed £3m (£2.2m), shipping £2.9m (£2.7m), wines and spirits at £2.8m (£1.7m), agricultural and industrial equipment £1.5m (£0.3m), inspection and testing £1.5m (£1.8m), tea £0.8m (£2m), business machines £0.7m (£1.4m), buying £0.7m (£0.5m loss) and other £3m (£1m loss).

Profit by geographical area showed the UK well in the lead with £21.5m (£13.1m) followed by the Far East with £16m (£13.4m) and south east Asia with £12m (£6m). Europe accounted for £6.8m (£6.3m), the Americas for £3.7m (£2.4m), the Middle East for £1.4m (£1.2m), India for £0.9m (£2m), Africa for £0.7m (£1.3m) and lastly, Australasia for £0.4m (£0.5m loss).

Turnover for the period amounted to £1.05bn (£940m) and the operating profit was up from £44.7m to £57.2m. Associates contributed £9.4m (£8.6m), investment income remained at £100,000 and finance charges were down from £13.7m to £11.4m.

Tax took £23.4m against £17.3m and minorities £3.9m (£1.9m), leavings earnings at 33p (24.1p). There was an extraordinary credit of £15.7m (£0.8m debit).

The interim dividend has been increased from 7.15p to 8.5p share.

• comment

Having risen from £3 to £5 last year, Inchcape's shares have surged ahead this year as the stock market has digested the scale of the new management team's restructuring of the group. However, a 39 per cent rise in interim pre-tax profits to £55.3m and a 19 per cent rise in the dividend was better than expected and the shares rose above £9 yesterday. The group is clearly benefiting from the booming South East Asian economies, where pre-tax profits have doubled, and the continued strong performance of its big motor trading businesses which account for some 60 per cent of the £1.1bn turnover. The expansion of the insurance operations also appears to be paying off for the moment. The strategy is to build its core businesses on an increasingly large and predictable customer base and whilst it remains exposed to cyclical businesses like tea and timber, the stronger management controls should insure no repeat of the erratic earnings pattern of the old days. Assuming the company earns around £115m for the full year it is on a relatively undemanding multiple of around 13 times earnings.

US boosts Smurfit profits by £40m

A STRONG upsurge in the US where profits leapt £40m meant overall pre-tax figures of Jefferson Smurfit Group, industrial holding company, jumped from I£24.12m to I£64.23m (£57.6m) in the six months to July 31, 1987.

The company said the outlook for the remainder of the year was very positive in nearly all operating areas, especially in the US where further price increases in its main products would improve margins in the fourth quarter. An outstanding year was in prospect.

In the 12 months to January 31, 1987, the company made £60.1m.

External sales at the interim stage were up 10 per cent to £557m. The company said that profits reflected not only better margins, but also the increasing contribution of Container Corporation of America (maker of paperboard and packaging products) and other associates.

Smurfit said its balance sheet continued to strengthen with a debt equity ratio of 56.3 per cent giving it the increasing ability to take advantage of new opportunities in its traditional businesses.

Debt reductions in both CCA and Smurfit Newsprint are exceeding expectations and in the case of CCA could be as much as $250m for the year ended December, 1987.

While net interest charges rose from £7.44m to £9.27m, share of associates profits surged to £27.22m (£254,000). Aftertax of £24.84m (£7.35m) net earnings per share more than doubled from 6p to 14.2p. The interim dividend was up to 1.23728p (1.1248p).

In the US, demand for all product lines showed steady growth for the period and price increases, resulting from the volume of demand, helped increase profits substantially in dollar terms with all areas of business showing improvements over last year.

The profits increase over 1986 when expressed in Irish pound terms, although depleted by the impact of exchange rates, represented a substantial gain of 189 per cent.

A breakdown of profits showed Republic of Ireland £3.52m (£3.34m); UK £2.5m (£1.58m); other EEC countries £6.54m (-); North America £61.4m (£21.22m); Australia £0.46m loss (£1.05m profit) and exceptional items nil (£4.38m).

See Lex

Caledonia stake in Grahams Rintoul Trust

Caledonia Investments, the Cayzer family vehicle which is reducing its stake in British & Commonwealth Holdings, has taken a 9.5 per cent holding in Grahams Rintoul Investment Trust, a listed trust specialising in smaller UK companies. The investment is believed to have been worth about £2.6m.

Caledonia was the largest single shareholder to take shares in a placing of shares owned by American Express Bank, which has reduced its holding in Grahams Rintoul to 50.5 per cent from the more than 88 per cent reached it funded a buy-in and reorganisation at the former Leda Investment Trust.

The only other disclosable holding to emerge from the Amex Bank placing was the BAA pension fund with a 5.5 per cent stake.

Lotus helps FII jump to £7m

THE PURCHASE of Lotus some 13 months ago significantly boosted the results of FII Group for the year ended May 31, 1987.

However, even without that company the figures showed an "impressive improvement", said Mr Monty Sumray, the chairman.

In the year turnover surged from £16.33m to £48.26m and the pre-tax from £2.24m to £7.18m. Despite the tax charge being 35.7(20.1) per cent, earnings rose from 31.8p to 42.7p. The final dividend is 5p for a total of 8p (6.75p) on increased capital.

Mr Sumray said the group had made excellent progress. If all went according to plan that should continue in the current year.

Turnover was well ahead compared with this stage last year. Some current fashion trends meant a higher work content which would increase unit costs, but production would be expanded to counteract that.

At May 31 the group had cash of £4.7m. The balance sheet was strong with no gearing.

The group is the largest supplier of women's shoes and a substantial supplier of men's footwear to Marks and Spencer.

Mr Sumray told shareholders that Fiona Footwear had an excellent year, with most of the success being attributed to improved productivity resulting from the move to Bridgend, South Wales. For the nine months' trading since it became a subsidiary Lotus achieved a record profit.

• comment

Monty Sumray is much pleased with his acquisition last year of Lotus and well he might be. Even with just nine months input to these figures, Lotus contributed £3.9m profits on sales of £32.9m. The first brand name the company has had, Lotus has both given FII a higher profile and brought down the percentage of its total sales going to Marks and Spencer to 50 per cent. The company is producing more shoes each year and expanding the range. A slight worry is that the fashion at the moment is towards a more decorative shoe, which involves more work, but with prices not rising accordingly there is more pressure on margins. Exports accounted for 4 per cent of turnover, small but growing. FII is showing exceptionally good growth, its substantial investment in the latest machinery and its good industrial relations are big benefits. A bit of profit taking saw the share price close 15p down yesterday at 680p. Assuming pretax profits next year of £9m, that puts them on a prospective p/e of about 14, about right.

SPI and Fleming in £204m deal

By Paul Cheeseright, Property Correspondent

Scottish Provident Institution is to buy the property portfolio of the Fleming Property Unit Trust for £204m cash, it was announced yesterday. The price compares with a September valuation of £162m for the 56 properties in the portfolio.

The sale is the second disposal of the assets of a property unit trust in less than a month. Earlier Mountleigh, the property trading company, bought the Pension Fund Property Unit Trust portfolio for £271m.

The Scottish Provident bid for Fleming was the highest of 12 received by Lane Fox, the agents handling the Fleming sale. Lane Fox received bids from seven British financial institutions, three British property companies, one offer from the Middle East and one from the US.

Mountleigh, whose name is associated with most putative property portfolio sales, did not bid.

The effect of the sale is to double the size of the Scottish Provident property portfolio. Mr Peter Coupe, the property manager, said that no single property was a justification for the purchase of the portfolio. Rather it was well-balanced with the possibility of additional revenue opportunities coming from some unlet properties.

These properties are offices in Gatwick, Croydon and Chiswick.

"The time for property in the economic cycle is coming right", Mr Coupe said.

Scottish Provident will sell some of properties both from the Fleming portfolio and from its existing assets - "the misfits", as Mr Coupe termed them. No decisions on which properties might be sold have yet been made.

However, the Fleming portfolio contains some agricultural land - 2 per cent of the total - and Scottish Provident so far has no agricultural property interests.

Although the Fleming portfolio contains offices in the City of London, its core, according to Lane Fox, is prime retail property throughout the country. Because the portfolio is said to have been generally well-managed and has been concentrated on prime assets, it is thought to have less room for exploitation than that of the Pension Fund Property Unit Trust.

Revenue from the sale, added to assets already in its possession, will being the capital value of the Fleming trust to £255m, unitholders are told in a letter from the committee of management. This works out at £2290 a unit, compared with the most recent redemption price of £1743.

Last year and in the first half of this year, the Fleming trust showed a negative rate of return, although the Phillips and Drew Property Unit Trust Index showed returns respectively of 3.9 per cent and 3.2 per cent for the sector as a whole.

Unitholders will be asked to approve the sale to Scottish Provident at a meeting on October 12. If they do they should receive an interim distribution of £2100 a unit in early November.

B&C takes 7.2% stake in Singer

BY CLAY HARRIS

British & Commonwealth Holdings, the financial services group, yesterday emerged with a 7.15 per cent stake in Singer & Friedlander Group, the recently requoted merchant bank which last week found Mr Robert Maxwell on its share register with a 7.7 per cent holding.

B&C bought the shares last week after a meeting between Mr Nigel Wray, Singer deputy chairman, and Mr John Gunn, B&C chairman, who signalled at the time that he planned to buy shares. "He presumably thought that the shares were a good investment," Mr Wray said yesterday.

B&C has its own ambitions to build a merchant bank around a team of former executives from Guinness Mahon. In any case, it is unlikely that B&C would be considering a takeover of Singer, which had a market capitalisation last night of £252m, so soon after its acquisition and break up of Mercantile House Holdings.

In the wake of the Wray-Gunn meeting, and with B&C and Singer sharing a financial adviser in Barclays de Zoete Wedd, the share purchase is likely to be interpreted as a friendly move in defence of Singer.

Mr Wray said yesterday that he hoped B&C would remain as a long-term investor.

Ladbroke

Ladbroke Group has posted the circular containing details of its one-for-five rights issue to help pay for the $1bn (£610m) acquisition of Hilton International. An extraordinary general meeting to approve the acquistion will be held on October 14.

Changing trading mix boosts Rugby midway

A 56 per cent advance in profit, from £14.19m to £22.14m, was achieved by the Rugby Group in the first half of 1987.

Mr G. A. Higham, chairman, said the composition of the total profit continued to change. While trading profits from UK cement increased by 29 per cent, they represented only 36 per cent of the total.

Turnover in the period moved up from £141m to £201m while trading profit came out at £23.39m (£15.21m).

Prospects for the remainder of the year looked good, particularly in the UK, Mr Higham stated.

In the UK, cement accounted for £8.48m (£6.6m) of trading profit, joinery £7.24m (£4.17m) and steel construction products £1.66m (£690,000). Overseas, cement and lime produced £2.12m (£2.39m), millwork £3.48m (£916,000), and hotel £413,000 (£451,000).

The chairman said John Carr gained from the acquisition of Rothervale Joinery and US millwork from the purchases in December. Profits from the Parmelia Hotel were included up to May 12; thereafter the sale proceeds reduced net interest costs. The sale generated an extraordinary gain of £7.4m.

Earnings for the period came to 9.5p (6.7p) and the interim dividend is 3.75p (3.1p).

On September 1 the group sold its minority (one-third) interest in RC Cement for $35.7m and the extraordinary profit of £5.5m will come into the year's accounts.

Also that month, Rugby purchased Monier Resources (UK) for some £2.4m.

At present, Adelaide Holdings, an Australian subsidiary, is making a A$13.5m offer for the outstanding 15 per cent of Cockburn Cement.

• comment

Breaking up the cement cartel might have been traumatic but for the strong growth in demand. Rugby has seen an 8 or 9 per cent volume gain, while price discounts of around 7 per cent are counted as a cost of sales. Other costs are being held down, for instance all the group's coal is now imported. And Rugby is working close to full capacity, hence the purchase of Monier Resources - a cheap way to add 300,000 tonnes of production. Meanwhile, margins in steel construction have raced up after three years of cost cutting. And in UK joinery only £1m of the £3m trading profit increase was from Rothervale. Barring horrendous weather in the second half, Rugby should reach £50m pre-tax for the year (£35.5m) and though the tax charge will be say 38 per cent, the prospective multiple is a bare 12.5 with the shares up 6½p to 277p yesterday. Between strong cash flow and the disposals gearing should be nil by the year end - no doubt more acquisitions are coming.

Steetley surges 31% to £24.7m

ALL GEOGRAPHIC areas contributed to a 31 per cent increase in interim profits at Steetley, the construction materials group. With turnover up 16 per cent at £231.5m, pre-tax figures rose from £18.81m to £24.65m in the first half of 1987.

Tax charge was £9.06m (£7.12m) and earnings per share were up 32 per cent at 12.5p (9.44p). The interim dividend was in effect increased from an adjusted 2.75p to 3.25p with also a shares in lieu of dividend option. Mr David Donne, the chairman, said the second half had started strongly against a background of resilient demand from the market.

Net interest payments rose sharply from £1.81m to £2.56m in the period, reflecting a significantly higher level of capital spending in excess of £40m. This figure included acquisitions during the first half of £28m.

The chairman said these acquisitions, coupled with the already announced intention to divest the Canadian distribution business, further endorsed the clear strategic direction of the group towards construction materials.

In the UK, where profits rose from £15.31m to £19.75m, demand for the group's brick and tile products continued at a high level, with deliveries in the half year more than 20 per cent ahead of last year.

In other construction materials activities, particularly in concrete sales, the severe rainfall towards the end of the second quarter caused a slowing down of demand; but this had since recovered.

Refractory products showed a further improvement as a result of a higher level of activity in the UK steel industry and there was a useful increase in export sales. Three peripheral refractory operations were successfully divested in the period.

North American profits rose 40 per cent to £5.14m (£3.66m) largely due to increased profits from the minerals operations. The strong performance reflected both the mild winter and the highest level of demand for residential construction materials for many years.

Profits from Europe and Middle East grew from £1.65m to £2.32m. This improvement came mainly from the French construction materials business where the benefits from the group's continuing acquisition strategy were coming through.

• comment

City opinion was divided on yesterday's results, some thought the figures were good, reflecting strong activity, others thought them pedestrian when compared with others in the sector, such as RMC and Ibstock, which recently reported first half profits in the UK up 42.6 per cent and 64 per cent respectively, compared with Steetley's 29 per cent. What cannot be denied is that Steetley increased profits in all its territories. Acquisitions came thick and fast - £28m spent in the six months - and the same amount is likely this time. The operations in France have increased greatly in the last 18 months and more deals are planned. The Canadian distribution business is set to be sold imminently, in line with the aim of eliminating peripheral businesses. The shares closed 5p down yesterday at 370p. Assuming pre-tax profits for the full year of £60m, that puts them on a prospective p/e of about 12, quite good value.

Blue Arrow in 70% rights take-up

National Westminster is expected to announce today that Britain's biggest ever rights issue - the £837m offer from Blue Arrow - achieved a 70 per cent take-up from existing shareholders.

The size of the take-up will probably come as a relief to County Nat West, which had put a sizeable amount of its capital and reputation behind the deal. The shares have hovered close to, and sometimes dipped below, the rights price of 166p since Blue Arrow launched the issue as finance for its successful $1.3bn bid for the US employment agency Manpower. Yesterday, they closed unchanged at 169p.

Blue Arrow's issue fared much better than some recent offerings - like WPP's £213m issue to finance its bid for JWT, which only achieved a 35 per cent take-up. Mr Tony Berry, Blue Arrow's chairman, went round the institutions in an attempt to convince them of the merits of the offer and himself borrowed £8m to take part of his own rights entitlement.

The underwriters may yet avoid being left with the remaining 30 per cent of the issue, since County NatWest is hoping to place the remainder with outside investors.

All these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE *September, 1987*

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INTERIM RESULTS

Half year profit £16.5m

"Sales and profits show a worthwhile improvement for the six months to 31 July 1987. Sales advanced by 30 per cent over the comparable period last year, while profit before tax increased by 63 per cent to £16.5 million. The advance in sales and profits occurred across the whole Group. It is gratifying that, with two major acquisitions made late last year financed with new shares, earnings per share still grew by 33 per cent to 4.6p. Your Board is maintaining its progressive dividend policy with an increase in the interim dividend to 1.7p per share against 1.6p in 1986."

"The Tootal Group is now on course with a new strategy, a new structure geared to the management of growth and renewed sense of purpose, enthusiasm and determination. We are committed to the achievement of leadership in global markets where we can exploit and develop our international network and strengths and in domestic markets where we can identify long term competitive advantage."

	6 months to 31 July 1987	1986	Year to 31 Jan 1987
	£'000	£'000	£'000
Sales	246,059	189,520	408,427
Profit on ordinary activities before tax	16,549	10,123	30,219
Earnings per ordinary share	4.6p	3.5p	10.4p
Dividends per ordinary share	1.7p	1.6p	4.25p

The half year's figures are unaudited. The results for the year to 31 January 1987 are an abridged version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.

If you would like to know more about us, write to the Secretary for a copy of our interim report, Tootal Group plc, Tootal House, 19/21 Spring Gardens, Manchester M60 2TL.

Tootal Group

UK COMPANY NEWS

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Bowthorpe	int	1.05	-	0.89*	-	2.7*
Davis(Godfrey)	int	2.1†	-	1.5	-	5.5
Early's Witney	int	0.32	-	0.32	-	1.32
Estates & Genl	int	1	-	0.9	-	2.73
Equity General	int	0.4	Jan 6	0.3	-	1.05
FII	fin	5	Jan 4	4.5	8†	6.75
Freemans	int	1.45	Dec 5	1.35*	-	4.1*
Hay (Norman)	int	1.7	Dec 2	1.44	-	4.15
Inchcape	int	8.5	Jan 4	7.15	-	21
MAI	fin	14	-	13.5	20	17.5
Meggitt	int	0.75	Dec 4	0.5‡	-	1.75
Menzies (J)	int	1.65	Jan7	1.5	-	4.65
Metalrax	int	0.8	Oct 30	0.66*	-	2.39*
Monotype‡	int	1.7	Dec 3	1.6	-	4.6
Mowlem (John)†	int	4.75	Dec 31	4.5	-	16
Parker Knoll	fin	13	Nov 7	8	18	12
Rugby Group	int	3.75	Dec 30	3.1	-	7
Scott Robertson	int	1	-	1	-	3.5
Smurfit (Jeff.)	int	1.24	Dec 31	1.12	-	3.61
Space Planning‡	fin	1.2	-	-	1.8	-
Sleetley	int	3.25	Nov 9	2.75*	-	7.75*
Thorpe (FW)	fin	3.1	-	2.8	5.1	4.6
Tootal	int	1.7	Jan 8	1.6	-	4.25
Watts Blake	int	2	Nov 27	1.62	-	5.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ØThird market.‡ For 14 months period

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ELECTRONIC FINANCIAL SERVICES— COMPETITION AND CO-OPERATION

London, October 19 and 20, 1987

The Financial Times fifth Electronic Financial Services conference will focus on competition and co-operation in financial institutions face in managing technology to secure competitive advantage.

To what extent should they co-operate to share information so that their corporate clients benefit from more comprehensive cash management systems? What are the benefits and disadvantages of sharing an automated teller machine network? What is the best way to develop integrated account files for corporate and retail customers?

The key issues will be debated by a distinguished panel of speakers including Mr Trevor Nicholas, Barclays Bank plc, Mr Gene Lockhart, Midland Bank plc, M. Jacques de Keyer, Générale de Banque, Mr Des Lee, Lloyd's of London, Mr Bert Morris, National Westminster Bank plc, M. Bernard Thiolon, Crédit Lyonnais SA, Mr Matthew Orr, Debenhams Investment Services, and Mr Rudolph Bauer, Commerzbank AG.

THE PROSPECTS FOR THE ADR BUSINESS

London, November 11 and 12, 1987

The FT Conference Organisation and the National Association of Securities Dealers (NASD) *are joining forces to hold a major* European-American Forum on the ADR business in November. The subjects for discussion will include acces to US capital markets, ADRs as a vehicle, regulation of the ADR business, European company experience, the approach through NASDAQ and the role of the Stock Exchange in London.

The speakers include Mr Joseph Hardiman, NASD, Mr James Davin, The First Boston Corporation, Mr Charles Symington, S G Warburg & Co Inc, Mr Graham Whitehead, Jaguar Cars Inc, *and Mr John Naisbitt, author of "Megatrends".*

Details of "The Prospects for the ADR Business" will be available shortly. There have been many requests for a conference on this subject and this meeting is expected to be a major feature of the FT autumn programme in London.

WORLD ELECTRICITY CONFERENCE

London, November 16 and 17, 1987

A major addition to the FT energy conference programme is World Electricity to be held in London as the privatisation debate develops and many other mapor issues face the industry, those who direct it and those who finance it. Sir Philip Jones is to take the chair on the opening day and the speakers include: *M. Pierre Delaport of Eléctricité de France*, Mr Svend Erik Hovmand, the Danish Energy Minister, Dr Walter Fremuth, Chairman of the Austrian Electrical Corporaion, Dr Axel Lippert, Managing Director of Bayer, Mr David Penn of Wisconsin Public Power, Mr Christopher Johnson, Chief Economic Adviser of Lloyds Bank, Mr William Varaquaux of Eléctricité de France, and Dr I. C. Bupp of Cambridge Energy Research Associates.

All enquiries should be addressed to:
The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UY. Tel: 01-2323 (24-hour answering service). Telex: 27347 FT CONF G. Fax: 01-925 2125.

Interim profits up

Interim Results (unaudited) for the half-year ended 30th June 1987

	1987 (half year)	1986 (half year)
Turnover	£82.06m	£70.53m
Pre-Tax Profit	£15.80m	£13.63m
Earnings per Share	6.45p	5.50p*
Interim Dividend	1.05p	0.89p*

*As adjusted for the capitalisation issue made on 20th May 1987
Interim dividend is payable on 18th December 1987 to shareholders at the close of business on 20th November 1987.

'Our UK companies responded well to increased demand for their products... We continue to make acquisitions in complementary areas... The Rights Issue announced yesterday will provide cash for further acquisitions... Group turnover and profits continue to grow steadily and in line with the Board's expectations'.

Ray Parsons, *Executive Chairman*

Bowthorpe Holdings

Bowthorpe Holdings PLC, Crawley, Sussex RH10 2RZ

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Notice to Note Holders of Resignation of Trustee and Paying Agent, Conversion Agent and Registrar and Appointment of Successor

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Liquid Yield Option Notes (LYONs) due 2006

NOTICE IS HEREBY GIVEN that Bankers Trust Company, *effective as of* the opening of business on September 29, 1987, has resigned as Trustee and Paying Agent, Registrar and Conversion Agent under the Indenture dated as of August 23, 1985 (the "Indenture"), among Joseph E. Seagram & Sons, Inc. (the "Company"), *The Seagram Company Ltd.*, as Guarantor, and Bankers Trust Company, as Trustee, under which were issued the abovementioned LYONs.

The Company has appointed United States Trust Company of New York ("U.S. Trust"), at present having its principal corporate trust office at 45 Wall Street, New York, New York 10005, as Successor Trustee under the Indenture, and U.S. Trust has accepted such appointment, effective as of the opening of business on September 29, 1987. U.S. Trust will also replace Bankers Trust Company as the office or agency of the Company in the Borough of Manhattan, The City of New York where LYONs may be presented or surrendered for payment, redemption and repurchase and where LYONs may be surrendered for registration of transfer or exchange or for conversion, and where notices to and demands upon the Company in respect of the LYONs and the Indenture may be served.

Morgan Guaranty Trust Company of New York will serve as the Paying Agent and Conversion Agent of the Company in Europe at Avenue des Arts 35, 1040 Brussels, Belgium and at P.O. Box 161, Morgan House, 1 Angel Court, London EC2R 7AE, England.

JOSEPH E. SEAGRAM & SONS, INC.

September 29, 1987

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
206	133	Ass. Brit. Ind. Ordinary	203	—	7.3	3.6	12.4
206	145	Ass. Brit. Ind. CULS	203	—	10.0	4.9	—
41	34	Armitage & Rhodes	36	—	4.2	11.7	5.0
142	67	BBB Design Group (USM)	103xd	+1	2.1	2.0	16.4
183	108	Bardon Group	183	+1	2.7	1.5	31.3
183	95	Bray Technologies	183	—	4.7	2.6	14.7
271	130	CCL Group Ordinary	271	—	11.5	4.2	6.9
144	99	CCL Group 11% Conv. Pref.	144	—	15.7	10.9	—
171	136	Carborundum Ordinary	168	—	5.4	3.2	14.6
102	91	Carborundum 7.5% Pref.	102	—	10.7	10.5	—
162	87	George Blair	162xd	+2	3.7	2.3	4.2
343	119	Isis Group	120	—	—	—	—
94	59	Jackson Group	94	+1	3.4	3.6	10.4
1150	321	James Burrough	1150	—	18.2	1.6	26.1
133	86	James Burrough 9% Pref.	133xd	—	12.9	9.7	—
780	500	Multihouse NV (AmstSE)	505	—	—	—	20.0
700	351	Record Ridgway Ordinary	700sus	—	1.4	—	14.1
87	83	Record Ridgway 10% Pref.	87sus	—	14.1	16.2	—
91	64	Robert Jenkins	64	—	—	—	2.8
124	42	Scruttons	124sus	—	—	—	—
221	141	Torday & Carlisle	221	—	6.6	3.0	10.7
42	32	Trevian Holdings	42susE	—	0.8	1.8	3.9
131	73	Unilock Holdings (SE)	92xd	−1	2.8	3.0	16.9
260	115	Walter Alexander (SE)	260xd	+7	5.9	2.3	19.3
199	190	W. S. Yeates	199	—	27.4	8.7	19.9
175	96	West Yorks. Ind. Hosp. (USM)	149	—	5.5	3.7	15.8

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

Granville & Co. Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
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Member of the Stock Exchange

Scott & Robertson hit by price rise

AS FOREWARNED at the annual meeting profits of **Scott & Robertson** were adversely affected by increases in the price of polyethnene polymer and fell from £825,00 to £611,000 at the pre-tax level for the first six months of 1987..

Turnover pushed ahead from £10.82m to £11.5m. Earnings worked through at 6.85p (7.21p). The interim dividend is same-again 1p net per 25p share.

Along with the results the company said it had acquired the shares of Tay Spinners held by the Co-operative Wholesale Society for £350,000 in cash.

It also announced the acquistion of PCL Packaging (UK), a manufacturer of polythene bags and sacks, and its subsidiary, *C.S. Plastics, via the issue of* 1.29m new ordinary shares. On completion PCL will hold 15.2 per cent of S & R's enlarged share capital.

Vendor was a wholly-owned subsidiary of PLC Industries, based in Toronto.

Space Planning

Growing demand for better designed working environments helped office planning consultants **Space Planning Services** to show some recovery.

In the second half of the year ended June 30 1987, it made a pre-tax profit of £181,000 for a total of £286,000 from its first full year on the USM. Previously the split was £226,000 and £441,000.

Turnover for the year was £2.01m (£2m) including Wells-Thorpe and Suppel. The final dividend is 1.2p for a total of 1.8p. Earnings per share came out at 4.4p (5.95p) after tax of £65,000 (£179,000).

Equity & General

Equity & General, the financial services and motor distribution group, lifted its turnover from *£10.94m* to £13.47m and pre-tax profit from £349,000 to £434,000 in the first half of 1987.

After a lower tax charge of £112,000 (£122,000), earnings surged to 1.38p (0.97p) and the interim dividend is increased to 0.4p (0.3p) per share.

Aran Energy

Aran Energy, Dublin-based oil and gas exploration and production company, raised profits before tax from I£436,000 to I£745,000 (£669,000) in the half year to end-June.

After tax of £187,000m (£400,000) and minority debits of £27,000 (credits £3,000) available profits totalled £531,000 (£39,000), equal to earnings per 20p share of 0.38p (0.03p).

World of Leather

World of Leather reported sharply reduced pre-tax profits - down from £551,000 to £175,000 - on turnover up from £5.44m to £6.34m for the first half of 1987.

Earnings for the USM-quoted company were reduced to 1.4p (4.3p) after tax of £61,000 (£209,000).

Early's in red

Early's of Witney, maker of blankets and floor coverings, incurred a pre-tax loss of £219,504 in the half year to August 1, 1987, against a *£214,300* profit last time. Sales fell from £4.48m to £3.79m.

Loss per 10p share was 3.81p (2.94p earnings) but the interim dividend was held at 0.315p.

There was also an extraordinary credit of £818,568 (nil), from land sales and disposals of surplus machinery, less yarn closure and property reorganisation costs.

Bowthorpe £44m expansion call

BY CLAY HARRIS

Bowthorpe Holdings, the electronic components manufacturer, *yesterday* asked shareholders for nearly £44.5m to fund further expansion. The cash call was launched as the group reported interim pre-tax profits of £15.8m, a 16 per cent advance on the £13.6m achieved in the first six months of 1986.

The one-for-six rights issue at 220p is Bowthorpe's first in five years. Although the company *has £9m cash on hand and is un*geared, it prefers to have the flexibility to make acquisitions for cash, especially in the US, which accounted for more than 20 per cent of profits in the first half.

In Bowthorpe's 16 acquisitions since the beginning of 1982, all but £400,000 of the total purchase prices of £42.9m has been satisfied with cash or debt securities.

Bowthorpe last week bought Florida-based Atlantic Scientific Corporation, a maker of surge suppression devices, for an initial $11.15m and up to $7.5m in performance-related payments, only days after paying $5.25m *for* Optim Electronics, which makes data acqusition and control systems.

In the first half, Bowthorpe increased turnover by 16 per cent to £82.1m (£70.5m). Apart from the 20 per cent-plus US profits contribution, the UK accounted for 43 per cent, West Germany for just less than 20 per cent, and the rest of the world for the balance.

Mr Ray Parsons, chairman, said that UK subsidiaries had responded well to increased demand but that defence-based companies had been adversely affected by delays and continued uncertainty over the timing of plaoement of orders, particularly for naval defence.

"The net impact of exchange fluctuations on the translation of profits from local currencies to sterling was not significant," Mr Parsons said.

Overall, orders received continued to exceed sales by a satisfactory margin and we commenced the second six months with a strong order book."

Pre-tax profits were boosted *by £749,000 from an insurance* claim and an increased contribution of £1.05m (£616,000) from related companies. Net interest income fell to £201,000 (£782,000).

Earnings per share rose to 6.45p (5.5p scrip adjusted) and the interim dividend is raised to 1.05p (0.89p). The company forecasts a final dividend of at least 2.125p (1.806p).

Bowthorpe shares fell 14p yesterday to close at 223p.

Stormgard sells fabrics and nets for £7m

By Dina Medland

Stormgard, troubled textiles group, is to sell its fabrics and nets division, comprising Filigree Textiles, J.H.Walker, and Saluki Fur Fabrics, for some £7m.

A conditional agreement on the sale has been made with a company "promoted by the division's existing management and supported by Murray Johnstone" the directors said.

The disposal represents the end of a rationalisation programme aimed at reducing the heavy burden of debt inherited from the Selincourt fashionware and fabric companies acquired in 1985 and strengthening the group for the longer term, the directors said.

The build-up of stocks and write-offs on bad debts appear to have been two of the biggest problems facing Stormgard in the two years following that takeover, as inherited problems have been exacerbated by trading losses.

The textile manufacturer tumbled into the red with pretax losses of £4.67m in the year to March 31, compared with profits of £734,000 in the previous 15 months.

Shareholders have been dealt other shocks as well - in February this year Ms Jennifer d'Abo, who led the Selincourt takeover, resigned as a director of the company following a boardroom split, and in July Lord Lever said he was stepping down as chairman.

Actions taken by the board since the takeover of Selincourt will have reduced the total borrowing requirements of the group by almost £20m, and net borrowings of the remaining companies are projected to be below £3m, directors said.

The fabric and nets *division* contributed £18.8m to group turnover last year, and reported a combined operating profit of £66,000. But related net interest expenses amounted to £559,000. Combined net assets of the division totalled £9.3m.

The freehold interest of an important property site currently occupied by Filigree remains with Stormgard, which stands to receive a further payment if *there is a surplus in the pension* funds relating to the companies being sold.

Stormgard has arranged favourable new banking facilities which are conditional on the division's sale, the directors said. These arrangements "will provide *fully* adequate working capital for the group's present requirements," and the board intends to consolidate the business of the the retained companies through strategic acquisitions.

The board considers it unlikely that the sale will result in any material write-off in the next published accounts.

Amstrad's Spanish deal

Amstrad, the UK consumer electronics group, yesterday confirmed that it was buying Indescomp, its Spanish distribution company, in a shares-and-cash deal worth £21.65m.

The price consists of 8,812,518 ordinary shares, worth about £17m, with the balance in cash. Further payments, linked to profit performance, will also be made.

Mr Jose Luis Dominguez, the founder and largest shareholder in Indescomp, is to head the company, *which is renamed* Amstrad Espana.

Mr Dominguez is to join Amstrad's main board and to take responsibility for Amstrad's drive to increase its sale in Spanish-speaking South America.

Indescomp, which has devoted *itself* exclusively to marketing Amstrad products, had pretax profits for the half year ending June 1987 of £1.9m and net assets of £5.1m.

Amstrad said it expected considerable improvement on *those figures in the current* year.

Shield in £10m cash call

By Dina Medland

Shield Group, the North London property developer which came to the USM in July last year, is to raise some £10m in additional working capital by the *issue* of 10,546,167 5.84 per cent, convertible redeemable preference shares *at 100p*, the company announced yesterday.

Brokers Capel-Cure Myers are to invite applications from ordinary shareholders to subscribe for the new preferred shares on a one preferred for every one ordinary basis, but the directors will not be taking advantage of the offer.

Shield has so far concentrated on the luxury residential market but, "the need to broaden the scope of developments", has led it to agree to buy a portfolio of commercial and industrial properties from the Heron Group *for* £6.945m, the company said.

It intends to pay for the acqui*sition with an allotment to a* member of the Heron Group of £1.5m new convertible preference shares and the balance in cash. The properties have been independently valued at "not less than £7.5m."

The current joint venture facility agreed with Heron subsidiary, the National Insurance and Guarantee Corporation in May 1987 is to be increased from £10m to £15m, the company said.

Royal Bank £77m Third World provision

By David Lascelles
Banking Editor

Royal Bank of Scotland is to make an exceptional provision of £77m against its Third World loans - matching recent moves by other UK and international banks to bolster their reserves for possible losses.

The provision will bring the Royal Bank's total provisions for countries in financial difficulty to £102m, equivalent to 30 per cent of its total exposure *of £333m.*

Mr Charles Winter, the group chief executive, said that the provisions had been made on loans to 19 countries and included the group's entire exposure, including interbank lending, acceptances and *forward foreign exchange* contracts.

"We believe by adopting this stance we have confirmed our policy of taking a very realistic approach to bad debt provisions."

Royal Bank said its main exposure is to Mexico (£115m), Brazil (£66m), other Latin American countries (£44m), Africa (£71m) and rest of the world (£37m). These are equivalent to 1.8 percent of the group's total assets.

The Royal Bank's announcement was made in anticipation of the accounts which it will publish for the year ending September 30,1987. The approach, it said, takes account of the provisioning framework recently announced by the Bank of England which is based on a scoring system.

The bank said that it expects to maintain dividend growth despite the provisions.

The Royal Bank's provisions bring to more than £3.5bn the resources set aside by UK banks in the last two months to *cover their Third World exposure.*

Thorpe held back

Pre-tax profit of F W Thorpe, maker of Thorlux lighting equipment increase from £1.38m to £1.4m in the year ended June 30 1987m.

Earnings came to 29.8p (27.4p) and the final dividend is 3.1p

Wolseley expands in the US via £61m acquisition

BY PHILIP COGGAN

Wolseley, the plumbing and heating distribution group, is making a major expansion of its US activities via an agreed $99m (£61m) takeover of Familian, one of the largest plumbing supplies companies in America.

The acquisition makes Wolseley the largest plumbing supplies company in the world.

It was financed by the first ever "vendor tender" in the UK, an idea conceived and executed by *Rowe & Pitman, part of* Warburg Securities.

Rowe & Pitman underwrote the issue of 9.5m shares at 625p each and then invited institutions to tender for the shares. Underwriting fees were dependent on the price which Rowe & *Pitman obtained in the tender.*

Had the striking price been set at only 625p, Rowe & Pitman would have earned no fees at all. However, it received the benefit of any excess over 625p, up to a limit of 0.75 per cent of the issue. Beyond that point *(around 630p), any surplus was* divided between Wolseley and Rowe & Pitman with the former receiving 90 per cent and the latter 10 per cent.

The striking price was set at 635p, a discount of 3.5 per cent to the price at which Wolseley's shares opened yesterday. There is no clawback for existing shareholders, since the issue represents less than 10 per cent of Wolseley's equity.

Familian is based on the West Coast of the US and thus complements Wolseley's East Coast Ferguson chain of plumbing and heating distributors. Its 46 outlets, added to Ferguson's 122, will give Wolseley 168 US branches, as opposed to 305 in the UK.

*In the year to June 30, Fami*lian made pre-tax profits of $15.6m on turnover of $321m.

In addition to the $99.5m acquisition consideration, Wolseley will also be assuming $19m of Familian's corporate debt. On that basis the exit p/e is *around 12.*

Wolseley estimates that its pre-tax profits for the year to July 31 were not less than £75m, a 50 per cent increase on the previous year.It *also* forecast a final dividend of 10p, which raise the total by 21.7 per cent *to 14p.*

Analysts had previously marked their forecasts down from £75m to £70m after the interim results had revealed a downturn at Carolina Builders; the shares rose 2p to 659p yesterday.

UNITED STATES BANKRUPTCY COURT

Southern District of New York

In re
McCLEAN INDUSTRIES, INC
f/k/a McLean Securities, Inc
Debtor
Chapter 11
Case No 86 B 12238 (HCB)

In re FIRST COLONY FARMS, INC
Debtor
Chapter 11
Case No 86 B 12239 (HCB)

In re
UNITED STATES LINES, INC
Debtor
Chapter 11
Case No 86 B 12240 (HCB)

In re
UNITED STATES LINES (S.A.), INC
f/k/a/ Moore McCormack Lines, Inc
Debtor
Chapter 11
Case No 86 B 12241 (HCB)

NOTICE OF BAR DATE

ALL ENTITIES, INCLUDING INDIVIDUALS, PARTNERSHIPS, CORPORATIONS, ESTATES, TRUSTS AND GOVERNMENTAL UNITS THAT ASSERT A CLAIM AGAINST ANY OF McLEAN INDUSTRIES, INC, FIRST COLONY FARMS, INC, UNITED STATES LINES, INC. AND UNITED STATES LINES (S.A.), INC (INDIVIDUALLY, A "DEBTOR"; COLLECTIVELY, THE "DEBTORS"), OR THAT ASSERT A MARITIME LIEN AGAINST ANY OF THE VESSELS OR PROPERTY LISTED BELOW, WHICH CLAIM OR MARITIME LIEN AROSE OR IS DEEMED TO HAVE ARISEN PRIOR TO NOVEMBER 24, 1986, MUST FILE A PROOF OF CLAIM OR MARITIME LIEN CLAIM AS HEREINAFTER DESCRIBED ON OR BEFORE 5.00 P.M., SAN FRANCISCO TIME, ON NOVEMBER 25, 1987 (THE "BAR DATE").

The United States Bankruptcy Court for the Southern District of New York on September 16, 1987, entered an order (the "Order") which established a bar date and set forth certain procedures. The purpose of this notice is to give notice of that Order and to provide a summary of its material terms.

All entities who do not file proofs of claim or maritime lien claims on or before the Bar Date SHALL FOREVER BE BARRED from participating in these cases, asserting such claim or lien against any of the Debtors or their property in these cases, objecting to and voting with respect to any plan or plans of reorganization filed in any of these chapter 11 cases, and receiving any distribution under any plan or plans of reorganization. Nevertheless, the holder of such unfiled claim or lien shall be bound by the terms of any plan or plans of reorganization, including a discharge of the claim or lien, if the plan or plans are confirmed by the Court, *except that:*

(a) any entity that asserts only an unsecured claim against any of the Debtors and that has already properly filed a proof of claim need not file an additional proof of claim;

(b) any entity whose claim is accurately listed on the respective Debtor's Schedule of Liabilities *need not* file a proof of claim to assert such claim against such Debtor unless such claim is listed as disputed, contingent or unliquidated in such Schedule, in which case a proof of claim *must* be filed on or before the Bar Date; and

(c) any entity that asserts only an unsecured claim against McLean Industries, Inc ("McLean") solely as a holder of McLean 12% Subordinated Debentures due 2003 or of McLean 14¼% Subordinated Notes due 1994 need not file a proof of claim at this time.

As used herein, "claim" means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. "Claim" includes any claim based upon, or arising out of, the rejection of any executory contract or unexpired lease, the recovery of a voidable transfer, or a Debtor's primary, secondary, direct, indirect, contingent or guaranty liability or otherwise.

Any entity that asserts a maritime lien against any of the vessels or property listed below *must* file a proof of claim asserting such lien and specifying the vessel or property against which such lien is asserted and the circumstances under which such lien claim arose. ANY ENTITY ASSERTING A MARITIME LIEN WHICH FAILS TO FILE A PROOF OF CLAIM ON OR BEFORE THE BAR DATE, WILL BE PRECLUDED FROM OBJECTING TO AND VOTING WITH RESPECT TO ANY PLANS OR PLAN OF REORGANIZATION FILED IN ANY OF THESE CHAPTER 11 CASES AND WILL BE PRECLUDED FROM RECEIVING ANY DISTRIBUTION UNDER ANY PLAN OR PLANS OF REORGANIZATION FILED IN ANY OF THESE CHAPTER 11 CASES.

The foregoing applies to any entity asserting a maritime lien against the following vessels, their boilers, engines, machinery, masts, spars, rigging, boats, anchors, cables, chains, tackle, tools, pumps, pumping and other equipment, apparel, furniture, fittings, spare parts and all other then owned or thereafter acquired appurtenances:

Mallory Lykes (Ex-American Rigel)	American Entente (Ex-Austral Entente)
Allison Lykes (Ex-American Vega)	American Pioneer (Ex-Austral Pioneer)
American Reservist	American Puritan (Ex-Austral Puritan)
American Resolute	American Maine
Stella Lykes (Ex-American Argo)	American Alabama
American Lancer	American Virginia
American Legion	American Kentucky
American Liberty	American Nebraska
American Lynx	American Illinois
American Lark	American California
American Astronaut	American Utah
American Apollo	American Washington
American Aquarius	American Trojan (Ex-Montana)
American Marketer (Ex-Ensign)	American Monarch (Ex-Wyoming)
American Merchant (Ex-Endurance)	American Spitfire (Ex-Idaho)
American Veteran (Ex-Austral Moon)	American Titan (Ex-Colorado)
American Envoy (Ex-Austral Envoy)	Delta Sud

Nothing contained in the Order shall affect the rights or obligations of any such entity in connection with the filing and/or prosecution of lien claims of any such entity in admiralty foreclosure actions commenced against any such property and all such entities may be subject to different filing requirements in such admiralty foreclosure actions.

Claims of co-debtors, sureties or guarantors shall be filed on or before December 24, 1987. Claims arising out of the rejection of executory contracts and unexpired leases or out of the recovery by a Debtor of a transfer of property must be filed by the later of (a) the Bar Date, and (b) thirty (30) days after the date the Court authorizes such rejection or recovery of such transfer. Claims by an owner or mortgagee of any vessel previously chartered or operated by any of the Debtors arising as the result of a maritime lien claim against such vessel must be filed by the Bar Date.

ALL PROOFS OF CLAIM MUST BE FILED BY MAIL OR BY HAND DELIVERY TO:

IF BY MAIL:
United States Lines, Inc., et al, Debtors
P.O. Box 26877
San Francisco, California 94126-6877

IF BY COURIER OR HAND:
United States Lines, Inc., et al, Debtors
c/o Claudia King & Associates
350 Sansome Street
Suite 700
San Francisco, California 94104

ALL FILINGS BY MAIL MUST BE SENT TO ARRIVE ON OR BEFORE THE BAR DATE. PROOFS OF CLAIM SHALL CONFORM SUBSTANTIALLY TO THE OFFICIAL BANKRUPTCY FORMS AND SHALL IDENTIFY THE ENTITY AGAINST WHICH THE CLAIM IS ASSERTED. TO ASSIST IN THE REVIEW AND RECONCILIATION OF PROOFS OF CLAIM, SUCH PROOFS SHOULD INCLUDE COPIES OF ANY INVOICES, STATEMENTS OR OTHER DOCUMENTS EVIDENCING THE AMOUNT AND/OR BASIS OF THE CLAIM OR INTEREST.

An entity desiring information as to whether and how its claim has been included in the Debtors' Schedule of Liabilities and Lists of Creditors may inquire *in writing* to the above address. *Any such inquiry must be accompanied by a postage paid, addressed return envelope.*

A meeting of creditors pursuant to section 341(a) of the Bankruptcy Code has been scheduled for November 23, 1987, at *10.00 a.m., New York City time at Room 230, 26 Federal Place, New York City, New York. The Debtors will appear at this* meeting by an officer to respond to creditor inquiries. A separate notice of this meeting will be sent to all entities listed in the Debtors' Schedules of Liabilities and Lists of Creditors.

If you wish additional information concerning the filing of a proof of claim, you may contact counsel to the official Unsecured Creditors' Committee, the Debtors or the Debtors' attorneys at the addresses set forth below.

Dated: New York, N.Y.
September 16, 1987

/S/ HOWARD C. BUSCHMAN III
UNITED STATES BANKRUPTCY JUDGE

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New York, New York 10036
(212) 819-8200
Attorneys for the Unsecured Creditors' Committee

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(201) 272-9600

UNITED STATES LINES (S.A.) INC.
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McLEAN INDUSTRIES, INC.
660 Madison Avenue
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(212) 593-3325

FIRST COLONY FARMS, INC.
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(919) 797-4371

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Attorneys for the Debtors

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(212) 425-3220
Attorneys for the Debtors

UK COMPANY NEWS

All-round rise boosts MAI 31% to £52.6m

BY CLAY HARRIS

MAI, the financial services and advertising group, yesterday reported a 31 per cent advance in pre-tax profits to £52.6m in the year to June 30. All business sectors and geographic markets increased their contributions from 1985-86.

Mr Clive Hollick, group managing director, said MAI planned to expand the range and type of its specialist financial, media and information services to business both through internal development and selective acquisition.

By activity, profits came from securities and money broking £37.9m (£28.8m), personal financial services £5.8m (£2.85m), media £6.9m (£5.4m) and market research £1.4m (£1.2m). Net interest received fell to £509,000 (£1.8m).

Volatile exchange rates and the fall in dollar interest rates fueled higher activity in the US government securities, Eurobond and currency markets in which MAI subsidiaries operate and Garban Gilts made a successful London debut as an inter-dealer broker.

Within personal financial services, the Wagon instalment credit company achieved record profits but the Keywest retail insurance chain reported a loss as computer and administration costs were unable to cope with the volume of business.

London and Continental Advertising Holdings, the outdoor poster contractor and display group which MAI took over in January, broke even in the final six months. MAI estimates that LCAH lost £5m pre-tax in 1986, its last year of independence.

Profits from the UK jumped 59 per cent to £21.6m (£13.6m) to displace North America, up 6 per cent to £20.9m (£19.6m), as the single largest source of earnings. Europe and the Middle East accounted for £4.3m (£2.9m) while the Pacific more than doubled its contribution to £5.3m (£2.1m).

The tax charge of £18.9m (£14.8m) reflected an effective rate 1 percentage point lower at 36 per cent. The sale of Eurobrokers last October produced a net extraordinary credit of £6.13m.

Earnings per share rose to 55.4p (48.1p). A final dividend of 14p (13.5p) will make a total for the year of 20p (17.5p). The company plans to subdivide each 25p share into five 5p shares.

• comment

By historical happenstance, the MAI umbrella shelters financial services as well as advertising and media activities, a formula which has certainly been the flavour of the month, if only as a debating point. Even though the Saatchis put their premise to MAI years ago, the company's own accidental experience has been neutral, with no evidence of synergistic added value, excluding the cash flow which could have come from a variety of other businesses apart from advertising. Such candour must put MAI high on the list of a predator looking for a well-placed and tightly managed money broker (as competitors pass into - or through - British & Commonwealth) with the added attraction of on-selling the media side. With a 1986-87 p/e below that B&C paid for Mercantile House, and a market value of £450m, MAI's price does not eliminate too many suitors. On fundamentals, however, the shares have seen the best of their rerating, standing on a prospective p/e of 11.5 assuming an advance to £64m pre-tax in the current year.

Godfrey Davis nears £6m

Godfrey Davis (Holdings), which merged earlier this year with the Sunlight Service Group to create a £130m diversified services company with activities ranging from contract vehicle hire to cleaning and security, yesterday reported a 44 per cent improvement in pre-tax profits to £5.89m for the first half of 1987.

The directors said that although the second half results to date were encouraging they did not expect the overall rate of growth for the period to be as great as that achieved for the opening half year.

First half turnover rose to £106.51m (£93.26m) and operating profits to £7.77m (£5.84m). Interest charges were little changed at £1.89m (£1.74m).

Earnings amounted to 5.65p (4.12p) and the interim dividend is being increased to 2.1p (1.5p). The directors intend to recommend a dividend increase for the full year of not less than 10 per cent.

During the first six months all divisions performed well with growth in both turnover and profits being achieved across a wide front.

The results were those of the combined group and were struck on a merger accounting basis.

Watts Blake £0.6m ahead midway

Watts, Blake, Bearne & Company, ball and china clay producer, lifted taxable profits from £2.53m to £3.16m for the first six months of 1987. Gross external sales amounted to £18.71m, against £15.46m which included exports and overseas trading of £14.4m, compared with £11.59m.

The directors said the first-half increase was mainly because of a sustained strong performance from the group's china clay operations and a significant improvement in UK ball clay exports.

The interim dividend is raised from 1.62p to 2p—last year's final payment was 3.68p from profits of £5.46m.

Pre-tax figure for the six months was after depreciation, £1.39m (£1.18m), and interest, £29,000 (£25,000), but included investment income of £266,000 (£209,000).

After tax of £1.1m (£975,000) earnings are given as 10.15p (7.88p) per share.

Norman Hay rises sharply

Norman Hay, engaged in electro-plating and anodising, raised first half profits from £221,000 to £446,000 and in the light of the results the interim dividend is being stepped up by 18 per cent to 1.7p net.

To facilitate continued growth the group is being restructured with the metal finishing activities carried out at Harmondsworth being transferred to a newly-formed subsidiary, Norman Hay (Metal Finishers).

As part of this reorganisation Mr D.M. Coombes, Mr J. Moore and Mr P.D. Kaye will resign from the main board and become directors of the new subsidiary.

Turnover for the first six months of 1987 rose to £3.58m (£3.3m). Tax accounted for £165,000 (£87,000) to leave available profits of £281,000 (£134,000), equal to earnings of 7p (3.3p) per 10p share.

Trading was continuing satisfactory and it was anticipated that the second half results would reflect this position.

American Thread helps lift Tootal interim profits 64%

ADVANCES in sales and profits across most of the whole group advanced Tootal's interim pre-tax profits by 64 per cent from £10.12m to £16.55m in the six months to July 31 1987 against a 30 per cent increase from £189.52m to £246.06m in sales.

The outstanding performance was in American Thread, which represents a major part of Tootal, which performed ahead of a demanding budget. The integration with STC is being achieved well ahead of plan and sales, profits, cash and returns on sales and investment were in excess of targets for the first half of the year. North America now represents almost one third of Tootal's pre-tax profits.

Mr Geoffrey Maddrell, managing director and chief executive, said that in the UK English Sewing was pursuing a recovery plan.

Last year's acquisition of Sandhurst Marketing has proved successful in its first half year within the group. Turnover has increased by more than 30 per cent and profits are on target.

Significantly improved profits from the recently formed Asia/Pacific Thread business were fuelled by buoyant garment exporting activity in all the Asian markets. The quality, productivity and output levels of its investment in Guangying Spinning in China are already above target. Mr Maddrell said this fast developing region will play an increasingly significant role in Tootals global thread business.

Batiks generated profits considerably in excess of last year despite generally difficult trading conditions across the markets of West Africa. But Australia remained weak in the first half.

A breakdown of sales and trading profit by activity shows thread with sales of $97.76m (£79.94m) and trading profits of £8.63m (£6.78m); international fabric sourcing and distribution accounted for £39.89m of sales (£30.76m) and profits of £4.53mn (£3.28m), clothing and homewares were £66.96m (£57.84m) and £2.68m(£2.51m) respectively while specialised materials were £25m (£20.98m) and £2.24 (£1.35m) and office supplies £16.34m (nil) and £922,000 (nil). Group sales were £95,000 (nil)for a loss of £1.23m (£1.01m).

Tax on first half profits was £4.42m (£2.63m) while profits attributable to minority interests were £1.49m (£1.19m); profits attributable to ordinary were £10.54m (£6.2m) for earnings of 4.6p (3.5p).

The interim dividend is increased from 1.6p to 1.7p.

• comment

So far, so good. These figures - well ahead of market expectations - show that Geoffrey Maddrell's mission to turn Tootal from a production-led textile group to a more broadly based marketing-led business, is starting to produce results. Most parts of the business contributed to the profits increase, though the driving force was the strong performance by US industrial threads, where the purchase of Standard-Coosa-Thatcher is proving very successful: excess capacity has been eliminated, Tootal's distribution network widened and margins raised (helped by rationalisation in the sector). With specialised materials also showing good growth and the company taking remedial action at UK clothing (one of the few disappointments yesterday), the market is looking for up to £42m pre-tax for the full year, putting the shares on a prospective p/e of about 13. That seems fair - for though Tootal's sense of direction is impressive, the wider move into non-textile distribution - spearheaded by the Sandhurst acquisition - has yet to prove itself.

Monotype doubled at £0.8m

Monotype, the USM-quoted manufacturer and supplier of laser-based phototypesetting systems, increased pre-tax profits by 97 per cent from £413,000 to £813,000 for the half-year ending June 30 1987. The total for 1986 was £3.45m.

Turnover rose from £13.28m to £16.31m and interest charges were down from £321,000 tp £225,000.

The interim dividend was raised to 1.7p (1.6p). After tax of £117,000 (£42,000) and minorities of £81,000 (nil), attributable profits came to £615,000(£371,000). Earnings per 10p share increased 65 per cent to 3.3p (2p).

Mr Roger Day, chairman, said yesterday that in view of the continuing development of the company, it was intended to apply to the Council of the Stock Exchange for a full listing as soon as was practicable.

Mr Day said that in the past profits had been seasonal with the major portion accruing in the second half. This year marked a change with the contributions from recent acquisitions) - G.B. Techniques and Intertec (Electronics - accruing more evenly.

Sales of systems for the new products launched in 1986 were going well and overseas demand was buoyant. In the newspaper field, Monotype had achieved additional sales.

Mowlem leaps to £15m midway

SUBSTANTIAL growth was experienced by the John Mowlem group in the first half of 1987, with turnover up from £268m to £359m and pre-tax profits from £6.7m to £15m.

That £15m profit was half of that made in the whole of 1986.

Earnings worked through at 11.1p (10.4p) and the interim dividend on increased capital was 4.75p (4.5p).

Mr Philip Beck, chairman, said with the benefits to come from recent investments and continuing growth in the hire businesses, the outlook was one of further good progress.

In the period, operating profit rose from £6.9m to £15m, stemming from an encouraging performance in all businesses.

Acquisitions of Alfred Booth (John Mowlem Homes) and SGB fully met expectations and contributed to the increase in earnings.

John Mowlem Homes should produce an excellent result for the year. Contracting and Property business performed satisfactorily and management contracting continued its strong growth.

Scaffolding businesses showed good growth particularly in the UK. HSS Hire Group achieved excellent results, and since the beginning of the year five new businesses had been acquired in the tool hire market, including one in Paris.

Buehler produced much improved results, but the directors have already intimated they were considering the sale of the 76 per cent interest in view of the changes in the composition of the core business.

Mowlem is the owner and operator of the London City Airport, which opens to commercial traffic towards the end of next month.

• comment

When Mowlem acquired SGB, some worried that the acquisition would dilute earnings - so the news that the enlarged group was still able to squeeze out another 7 per cent eps growth helped Mowlem's shares jump 14p to 520p yesterday. There should be no surprise that a company with such a great exposure to the construction cycle should be forging ahead at the moment; the debate is over whether the undoubted management expertise of the group, will be enough to keep the group going through a downturn. Further acquisitions are likely as add-ons in the hire business but with the sale of Buehler likely to bring in £20m or so, the finances look healthy enough to allow a significant move into the US. Assuming £45m for the full year, the prospective p/e of 15.5 looks high enough; although the City airport looks a money-spinner, its benefits are still three years away.

Wace makes £16m cash call

BY DINA MEDLAND

Wace Group, the acquisitive printing company, is to raise some £16m through its first large rights issue. The one-for-three offer will involve the issue of 6,141,475 shares at 270p per share, against an opening price yesterday of 308p.

Earlier this month Wace announced two acquisitions for a total consideration of around £2.4m. Thamesdown, a specialist high-quality printer, expects pre-tax profits for the 14-month period ending December 31 to be "not less than £225,000", compared with £176,000 last year.

Plastifilm Tabular, a screen printing company, expects pre-tax profits for the year ending September 30, 1987 to be "not less than £130,000" compared with £102,000 last year.

In both cases, further payments will be made dependent on future profits.

Wace is also buying a freehold office property in Wolverhampton for £1m and one in Sheffield for £1.62m. Current rental income from the two properties totals £240,500, and rent reviews are imminent.

The company sees itself as continuing to expand both organically and by acquisition in all three of its operating areas - printing, pre-press services and property. "It is arguable which area will get the most emphasis, depending on the opportunities" says Mr Chris Budd, joint managing director.

In the near future, however, Wace expects to move into pre-press services in the US, where it is currently in the midst of negotiating potential acquisitions.

Honeysuckle on target with £1.25m

Honeysuckle Group, the ladies fashion company which joined the USM in April, yesterday reported 1986-87 profits in line with the prospectus forecast.

On turnover 25 per cent higher at £11.99m, pre-tax profits jumped 84 per cent from £681,000 to £1.25m in the year ended May 31, 1987. This compared with a projection of £1.2m.

As stated in the prospectus, there is no final dividend. The company intends to begin payments this year with an interim in respect of the current six months ending November 30.

At the operating level, profits grew from £729,000 to £1.25m. Net interest added £4,000 (took £49,000) and after tax of £448,000 (£239,000) earnings per 2p share came to 10.6p, against 5.9p.

Mr David Serr, the chairman, said yesterday that he was confident the company's success would continue for the year ahead, with orders for its Christmas collection already exceeding expectations.

The collection of designs for the newly formed pre-teens division was well received when it was shown at the Spring, 1988 Junior Fashion Fair in London, he added. Mr Serr also revealed that Honeysuckle was at present actively considering a number of possible acquisitions.

Honeysuckle's objectives for the coming year were " to continue the growth and development of its existing businesses, to maintain its position as a brand leader and to diverisfy into new but related areas."

Metalrax up to £2.2m in first half

Against a 21 per cent increase in turnover, Metalrax, specialist engineer, increased its pre-tax profit by 19 per cent in the half year to June 30.

Turnover was up from £18.03m to £21.78m and the pre-tax profit from £1.85m to £2.2m. Mr John Wardle, chairman, points out however that much of the apparent increase in turnover is related to activities which do not make an equivalent conbtribution to profits. The vast majority of activities, he said, improved their productivity and profitability.

Earnings per share worked through at 3.31p (2.71p) after a tax charge of £771,000 (£669,000) and the interim dividend goes up from an equivalent 0.66p to 0.8p per share.

Hornby on track with £483,000 at halftime

Hornby, manufacturer of toys and leisure industries products, revealed yesterday that that the upturn in its fortunes was continuing with interim pre-tax profits of £483,000 compared with a corresponding loss of £331,000.

The company, which came to the USM last December, handsomely beat its prospectus forecast by some £103,000 with a profit of £608,000 for 1986. Its recent success lies in diversifying its product range, although its traditional brands, trains and Scalextric which accounted for about 60 per cent of sales last year were buoyant.

Mr Jack Strowger, the chairman, said the current year was progressing well and he looked forward to reporting on a satisfactory outcome in his annual review.

However, on account of the company's traditional reliance on the sales period leading up to Christmas in the second half of the year, results for the six months to June 30 are not necessarily a reliable guide to the likely outcome for the full year.

Turnover in the period rose from £4.31m to £6.49m and the operating profit was £451,000 (£10,000). With the proceeds of last December's placing having repaid the long term debt, earnings have been boosted by the credit on net bank interest of £32,000 (£58,000 debit) and the absence of any long term debt interest (£283,000). Tax took £203,000 (nil) leaving earnings per share of 3.5p (loss of 9.4p).

It is the group's policy to pay a single annual dividend and the directors, therefore, do not intend to declare an interim dividend. The first annual payment will be made in 1988 on account of the year 1987.

Hillsdown in £10m sale to J. Bibby

By Nikki Tait

Hillsdown Holdings, the food, furniture and property group, is to raise £10m in cash by the sale of its external animal feeds interests to J. Bibby, the agricultural and industrial conglomerate. The purchase price for the Nitrovit, Inghams Nitrovit and Wyatt & Bruce interests is equivalent to net asset value.

Hillsdown said yesterday that it would be keeping sufficient production capacity - four mills - to meet its internal requirements. It also retains the commercial pig operations and the additives and supplements business, where it is currently looking at a joint venture deal in China. The bulk of the animal feeds interests came into Hillsdown via the acquisition of the Imperial Group's egg and poultry businesses back in 1982.

By concentrating the remaining mills on internal requirements, Hillsdown argues that will save the £1m which Nitrovit might make on an annual basis. The feeds business has been highly competitive recently, and Hillsdown's chairman Mr Harry Solomon maintains that the company's interests were too large to stake out a niche position and too small to lead to any significant restructuring within the industry. Annual sales from the businesses sold are around £70m.

The £10m received, plus the additional £7m-£8m debt reduction which should flow through subsequently, will also help ease Hillsdown's balance sheet. Gearing, in the wake of the acquisition of Canada's Maple Leaf Mills, has risen to around 130 per cent. Trade debts and liabilities are not included in the sale but Bibby has undertaken to collect the debts on Hillsdown's behalf.

Perry £4.8m acquisition

Perry Group, the Ford and General Motors main dealer, is to buy the Rocar Group, Yorkshire-based dealership for £4.8m, to be paid for by a mixture of cash and shares.

The bulk of the purchase will be paid for in cash amounting to some £4.3m. Perry also intends to issue 170,000 ordinary shares.

Rocar operates a Jaguar dealership, a Land Rover/Range Rover dealership and four Austin Rover dealerships. The appropriate manufacturers have signified their approval.

Rocar made a pre-tax profit of £335,000 on a turnover of £30.5m in the year ended September 30, 1986. The net tangible assets of the business acquired are approximately £3m.

Motor dealerships accounted for 75 per cent of Perry's £6.2m trading profit last year, and the company has continued to go for growth through acquisition.

Menzies interim boost takes profits to £5.5m

John Menzies, wholesale and retail newsagent, bookseller and stationer, pushed profits ahead by 22 per cent from £4.5m to £5.5m for the six months ended August 1 1987 on a 10 per cent sales increase to £291.2m.

The directors stated that the auguries for Christmas trading seemed favourable and second half profits were expected to exceed those for last year—total for 1986/87 was £22.7m.

Sales in the wholesale division were strong, the directors said, and helped towards offsetting the costs of rationalising London wholesale news distribution. Turnover in the group's retail chain had been buoyant, showing good increases both on budget and on last year.

The Early Learning chain in the UK was producing outstanding results and the expansion of this chain in the US was accelerating, directors stated. They added that despite the considerable costs of starting a new retail concept in the US, they are confirmed in their belief that substantial rewards would accrue.

After tax of £2m (£1.7m) earnings are given as 6.2p (4.9p) while the interim dividend is lifted to 1.65p (1.5p) per share—last year's final payment was 3.15p.

Other group activities produced results as expected and the period benefited from a reduction in pension contributions.

• comment

Menzies has been at a discount to the sector, because of the stodgy image of its wholesaling business. But the real thrust of the group is now in Early Learning, where UK volume seems to have been up by as much as 10 per cent on a like for like basis with a further 15 per cent or so from new stores. In the US, losses will be bigger this year than last, as the product range is refined and the group approaches its target of 40 or so outlets by Christmas; but the better the prospects in the US, the longer losses are likely to be sustained. In distribution, the rationalisation in London is now broadly complete, and although it will be years before the newspaper distribution market really settles down, the worst could well be over. At 463p, the shares are on a prospective multiple of 16 - ungenerous, but also uncharacteristically close to the sector average.

Poor weather hits Freemans

THE POOR weather in June had a substantial adverse affect on the interim profits of Freemans, the mail order specialist. At the pre-tax level the profit improved marginally from £15.12m to £15.19m.

At the annual meeting in May the chairman, Mr John Brooman, said sales and profits were ahead. Yesterday he reported that the good demand for summer clothing up to late May was radically changed by the weather conditions persisting to the end of June.

Sales arising in that five-week period were £6m below expectations and the effect on profits was twofold. In addition to the lower than expected earnings from sales, the stocks largely became surplus to requirements and further losses were incurred in their disposal.

Mr Brooman said sales from the autumn catalogue were ahead but the volume of recent weeks had been lower than anticipated. It was impossible to do more than indicate that this, coupled with the flat first half, must make it likely that the original target for full year profit would not be met.

Looking a little further ahead, he said that main catalogue would continue to produce most business and command most of the attention. But specialogues were of great importance to the agency business and to the small, but fast expanding, direct mail activity. Propsects for the warehouse chain remained excellent.

In the 28 weeks ended August 15 1987 turnover rose 16.5 per cent to £266.46m. Stripping out the first time contribution from Warehouse group and the Together Specialogue the underlying growth trend was 9 per cent.

Trading profit came to £15.77m (£15.31m). Share of related companies profits were down to £145,000 (£1.28m) but the fall was offset to some extent by a cut in interest charges to £728,000 (£1.47m).

Earnings came through at 6.5p (6.7p) and the interim dividend is raised to 1.45p (1.35p).

Mr Ralph Aldred, managing director, has also become deputy chairman. Next May he wil give up being managing director in favour of Mr Mike Hawker, who has become deputy managing director.

Parker Knoll expands by 47% to near £7m

Parker Knoll, furniture and textiles group, topped last year's record annual pre-tax profits of £4.62m by 47 per cent. They totalled £6.81m on turnover up 33 per cent from £47.27m to £62.72m for the year to July 31 1987.

An increased final dividend of 13p (8p) was recommended, making 18p (12p) for the year. After tax of of £2.2m (£1.76m), earnings per share rose by 60 per cent to 60.8p (38.1p).

Mr Martin Jourdan, chairman, said yesterday that the company had entered the current financial year with even stronger order books and a healthier market than had been experienced for some time.

He was confident that the group would be able to improve on this year's result and wouldalso be successful in achieving some of its strategic goals and in broadening the base of group activities.

Mr Jourdan said the group's success was principally because of its policy of concentrating on the middle and upper end of markets. He believed that demand in the furniture sector was likely to remain strong and the board was re-examining areas in that market which in the past had only been of secondary interest.

A key element in the company's strategy was to increase its penetration of the furnishings market. With the acquisition of Monkwell, the company had largely achieved its ambition in the UK but remained interested in the furnishings market abroad.

Group trading profit of £7.1m (£4.46m) consisted of £3.37m (£1.79m) from furniture operations, a rise of 88 per cent, and £3.74m (£2.68m) from textiles, a 40 per cent increase.

Net interest payable was £293,000 (£156,000 receivable).

The results included for the first time a full year's contribution from Lock of London and seven months' contribution from Monkwell which, after allowing for financing costs, together amounted to £522,000.

SPECTRUM GROUP: A. Stern, a director sold 50,000 ordinary on September 18 at 122p and 350,000 at 121p (2.64 per cent), taking his holding to 415,765 (2.74 per cent). A. Warren, a director, has sold 2m ordinary. N. Scott and Associates purchased 1.1m of these shares, taking their stake up to 29.4 per cent, with the balance placed with other investors.

Estates and General ahead to £819,000

An increase from £608,000 to £819,000 in first half profit was achieved by Estates and General Investments, property investor and developer.

Gross investment rental income moved up to £1.7m (£1.3m), while development income was again £633,000 (£634,000). Interest charge was reduced to £1.59m (£1.18m).

Profit attributable to ordinary worked through at £694,000 (£447,000), equal to 3.4p (2.5p) per share. The interim dividend is 1p (0.9p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisons shown below are based mainly on last year's timetables.

TODAY

Interims- Ambrit International, BSG International Brooks Service, Centreway Industries, Centreway Trust, Colorgraphic, Corporate Estates Properties, Dencora, Helical Bar, Joseph Holt, Hunter, M.Y Holdings, NMW Computers, S & U Stores, Senior Engineering, Shandwick, Sovereign Oil & Gas, Time Products, United Plantations.

Finals- Abingworth, Amstrad, Castle Communications, Prestwich, Sinclair Goldsmith.

FUTURE DATES

Interims-

Alexandra Workwear	Oct 13
Ambrose Inv Trust	Oct 20
Anglo Amer Coal	Oct 27
Anglo Amer Inv Trust	Oct 8
Ash & Lacy	Oct 6
British Airways	Nov 11
British Dredging	Oct 5
Cluff Oil	Oct 9
Derustron International	Oct 7
East Rand Gold & Uranium	Oct 22
Free State Cons Gold	Oct 22
Gresham House	Oct 2
Guidehouse Group	Sept 30
Guthrie	Oct 14
Hewden Stuart Plant	Oct 5
Lamont	Oct 5
London & Edinburgh Trust	Oct 8
Micro Focus	Oct 6
Ruo Estates	Oct 7
Singsby (HC)	Oct 12
Stylo	Oct 1
Triplevest	Oct 1

Finals-

Colorgen	Sept 30
Druck	Oct 8
Farline Boats	Dec 3
Framlington Managed Portfolio	Sept 30
Lloyds Chemists	Oct 5
New Central Wit Areas	Oct 14
Orange Free State Invs	Oct 22
PFC Intl Portfolio Fund	Sept 30
St Ives	Oct 2
Save & Prosper Sterling Deposit Fund	Oct 2
Sound Diffusion	Oct 1
Welkom Gold Mining	Oct 22

COMMODITIES AND AGRICULTURE

Bridget Bloom details latest moves to control EC cereal prices

Last hope to halt spending spiral

THE REVOLUTION in cereal production has transformed the European Community in little more than a decade from one of the world's largest net importers of grain to one of its most important exporters. It is also at the heart of the current crisis over agricultural spending.

The European Commission estimates that the cost of supporting grain within the EC has risen from Ecu 1.7bn in 1984 to Ecu 5bn this year and a probable Ecu 6bn next year. The Commission believes that unless its proposals for stabilising these costs, published last week, are accepted by agriculture ministers, there will be little hope of arresting spiralling farm spending.

The proposals, due to be negotiated by ministers over the next few weeks, have already been criticised as too open-ended.

They may gradually cut spending in a limited way, said Agra Europe, the influential Brussels-based weekly, last week. But they will provide the EC taxpayer with no protection against the important but uncertain effects of the international market.

At the centre of the problem is the open-ended nature of the EC's support system for grains. Wheat, barley and maize are by far the most important, accounting for 90 per cent of cereal production of some 154m tonnes last year.

The system has three key elements. It provides a high price to the farmer through guaranteed "buying-in," to so-called intervention stores. This price is protected through high import tariffs on most grains (though not on grain substitutes, a bone of contention with farmers).

And, critically, exported surpluses fetch a hefty subsidy (called export restitution), to make EC grain competitive with other subsidised or unsubsidised grain which is sold on the much lower-priced world market.

On average, EC grain prices have been 60 per cent above world prices in the past decade, while export subsidies now account for about 60 per cent of total EC spending on grains.

THE European Commission has unveiled a wide ranging package of measures designed to curb the spiralling costs of the Common Agricultural Policy. Over the next three weeks, Financial Times writers will examine the proposals sector by sector, analysing the market background, the mechanisms and costs of existing Community price support, the results which have been achieved by reform, and political and economic factors bound to influence the forthcoming negotiations by the Council of Ministers.

Today's article looks at the latest efforts to contain rising production in the cereals sector and will be followed tomorrow by an assessment of the milk quota regime.

Subsequent articles will cover beef, sheepmeat, wine, tobacco, fruit and vegetables, sugar and oilseeds.

Much of the rest has gone on storing grain. Stocks have risen from 8.8m tonnes at the beginning of 1984 to 13m tonnes at the start of this year.

The surpluses have arisen because yields have been stimulated by new varieties of grain and high inputs of fertiliser and pesticides, as well as the high support prices.

Production has risen by nearly 3 per cent a year — in Britain wheat production has almost doubled since entry to the EC in 1973. But consumption has stagnated within the EC and, were it not for fluctuating demand from the Soviet Union, in the world at large.

Sensing trouble and warning of likely production totals of 135m tonnes in 1988 and 154m tonnes in 1991, the Commission introduced its first tentative measures to control production and prices in 1982-83. The measures it chose—and what happened when farm ministers discussed them—are instructive.

The Commission proposed a threshold on production for the three seasons of 1982-83, 1983-1984 and 1984-85. If exceeded, it was to trigger price reductions in the following season.

The 1984-85 threshold was 126m tonnes while production reached a record 173m tonnes. The measures should have resulted in a price reduction in 1985-86 of some 5 per cent. But the Commission cut its proposed price reduction to 3.6 per cent, and this was subsequently amended to 1.8 per cent.

Even then, Germany, invoking its right of veto, voted against the reduction as being against its national interest. The Commission found a way round that, but the tiny reduction was in any case wiped out in most member states by currency adjustments.

Since then, other measures aimed at controls have been introduced. Most notably a so-called co-responsibility levy of 3 per cent of the intervention price was aimed at making producers pay a share of rising costs.

There have also been reductions in the intervention or guaranteed price, with varying effects.

German farmers reckon, for example, that they will suffer a real decline of 10 per cent following the 6 per cent decrease in prices agreed last June. But currency adjustments mean that Britain's farmers will get a small increase.

What of the Commission's new proposals? They, too, would set a threshold—of 155m tonnes for 1988-89, so the measures would not apply to the coming season, nor present harvest. There would be three types of penalty.

If the threshold is exceeded by 1 per cent or more, the Commission would have the power to reduce intervention prices by up to 5 per cent in 1988-89 and 7.5 per cent in 1989-90, as well as to increase the co-responsibility levy by the same amount. It would also be able to curtail the availability of intervention buying.

There are critical differences between these proposals and earlier ones. One is that within limits set by ministers, the Commission would have the power to impose the penalties automatically, and in the current rather than the following season.

Another key difference is that, in spite of the poor harvest this year which will temporarily alleviate the trend of rising production, farm ministers are more prepared to bite the bullet than three years ago. They are now under pressure from finance ministers.

Yet real difficulties remain. No government has yet responded in detail to the Commission's proposals, but in the initial skirmishings last week on the stabilisation plan as a whole, many ministers were clearly reluctant to give the commission the powers it seeks to make the plan work.

Indeed, so far only Britain has shown any enthusiasm for the Commission's initiative.

On the financial front, the most serious criticism of the Commission's cereals proposal is that it does nothing to put a ceiling on the amounts that will be bought into intervention—although, in theory, tightening the rules on when intervention might operate could help. Nor are limits set on the quantities of cereals which will claim export subsidies.

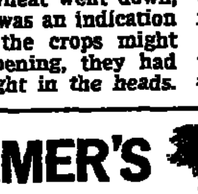
It is the Commission's commitment to make up the gap between the world cereal prices, expressed in dollars, and the high internal price which has proved so particularly damaging in the past.

At best, the Commission's proposals would stabilise spending on cereals, not limit it. This has left many observers speculating that the next stage in limiting spending will involve imposition of quotas—probably involving leaving land fallow—however unpopular that might be.

Frustrations over as harvesting ends

FARMER'S VIEWPOINT

By John Cherrington



MY HARVEST finished on September 17 after four-and-a-half weeks of frustration. The only clear run was over the August Bank Holiday weekend, otherwise it was a matter of snatching half days when we could, as long as the grain was dry enough to go through the machinery in the drier.

Moisture was high in much of the barley, and it had to be dried twice at low temperatures to avoid damaging germination of the grain.

I had become so indoctrinated with the talk of surplus that I had planted a fair acreage of malting barley varieties. For the second year running this paid off. All of it has been sold for malting at substantial premiums over feed.

But it must be said that my farm was lucky with distribution of rainfall. We had many damp days, but there was no real weight of rain such as fell in the eastern counties, where thousands of acres of grain were reported beaten into the ground, and the harvest is still being attempted as I write.

I had also grown milling types of wheat but failed entirely to grow any of premium quality. The Hagberg test — used to measure the grain's suitability for making good bread dough—and protein test gave acceptable results.

But the crop failed entirely in the bushel weight test, which measures the density or specific weight of the grain. Unless it has a high bushel weight, wheat seems to be useless for anything but animal feed.

All the wheat samples were thin and pinched because of disease, lack of sun and, in some cases, sprouting. So poor were my own bushel weights that they would not have been acceptable for sending to intervention.

Overall, my yields of both wheat and barley were down by 15 per cent on last year. The drop in the barley yield was compensated by the malting premium, but there was nothing to be said for the wheat except that it might have been worse.

Farmers I have spoken to in East Anglia, in particular, tell me they have suffered severe weather damage and seen some of their crop beaten down. None of my wheat went down, which I think was an indication that, well as the crops might look while ripening, they had not much weight in the heads.

I must add here that my one success in wheat growing was a small acreage of spring wheat, sown where I failed to get wheat planted last autumn. The yield was nearly up to autumn wheat and the quality was excellent. It must have enjoyed the cool wet summer.

So did the oats, which yielded very well indeed. Oats are not supported by the Common Agricultural Policy, so growing them is highly speculative. The crop can also be a very variable performer, but for the last two years it has done very well for me. I had a contract for a minimum tonnage and sold the balance on the market.

There is a good demand for oatmeal and the growing number of horses provide some support for the market. I was sorry to learn last week that sales of oats for seed have risen, and it looks as though others are trying to climb on the bandwagon. When will people learn that the basis of a good market price is when supply is well under demand?

My beans were also quite successful, much better than last year, and we finished them six weeks earlier. They do not seem to suffer so much from the weather and, once ripe, they stand up well like black skeletons.

However, I missed the market with these. The price does have EC support, but it is not very generous.

I grow no oilseed rape, which was badly mauled in price in the last EC price review. But by all accounts it has yielded very well, particularly the winter-sown varieties, and it will take more than this year's price discouragement to make farmers reduce plantings.

I am not going to be as rash as to try to estimates the total harvest yield at this stage. There is no accurate system of collecting yield figures on a farm-by-farm basis. What we have are estimates derived from traders and advisory officers and which are subject to a vast degree of subjectivity.

In any case, the early estimates of a record harvest were simply a matter of multiplying the known acreage and the expected yield, with no formula allowing for the variation in yields from year to year.

Once the harvest is over and the grain in store, there is no record except of that in intervention. Otherwise most grain is stored on the farm of origin and estimates have to be based on sample surveys made very much in arrears.

In France, for instance, most grain is stored off the farm. The organisation Onic and the co-operatives have a good early idea of the overall position. UK estimates, which include a figure for grain used for seed and feed on the farm of origin, are an inexact science.

This makes things difficult both for the farmer and the merchant who is trying to buy his grain.

There is, of course, plenty of good grain in the world outside the EC, but the levies on imports of US wheat and Canadian malting barley make UK buyers look very hard for home supplies.

There should be scope for any good samples of UK grain to make record prices. The trouble is that farmers are such an independent bunch that they will never collaborate to squeeze the buyers.

I can foresee problems in shifting what could be a mass of low quality grain once the demand from UK compounders is satisfied. There is little export trade, although the USSR harvest is said to be suffering and there are rumours of Soviet interest.

But even the exporters of feed grain demand minimum standards and there are doubts as to the level of export subsidy which could be granted to some of the poorer samples. I think we shall see a very interesting grain trade for the next few months.

● Mr Johnny Johnson, president of supply trade association Ukasta, yesterday forecast the 1987 UK cereal crop at 21.14m tonnes—the lowest of recent estimates. It comprises 11.66m tonnes of wheat, 9.03m tonnes of barley and 450,000 tonnes of oats. Quality is variable and disposal of whole harvest could be difficult.

Wong Sulong on the tin industry 'summit' in Kuala Lumpur

Producers warned off quota breaches

THE SLOW return of the tin industry to normality will be hampered if producers breach their export quotas to take advantage of improving prices, Malaysia warned yesterday.

The biggest test of the quota scheme will come when tin prices begin to move upwards, said Dr Lim Keng Yaik, the Malaysian Primary Industries Minister, opening the annual ministerial meeting of the Association of Tin Producing Countries in Kuala Lumpur.

The ATPC comprises Indonesia, Malaysia, Thailand, Bolivia, Australia, Nigeria and Zaire. It agreed last March on an export quota plan to limit members' exports to 96,000 tonnes for one year.

The two-day ATPC meeting is expected to agree to another extension of one year for the pact because of its success in depleting the overhang of tin stocks.

Brazil and China, which are both large producers of tin and do not belong to the ATPC, are atending the meeting as observers. They have indicated that they would continue to support ATPC efforts by limiting sales.

The meeting was told that the surplus had been reduced to 58,900 tonnes at the end of June from an overhang exceeding 100,000 tonnes in 1985, when the International Tin Council ran out of money to support prices. It should go down to 52,000 tonnes by the end of the year.

Dr Lim said the average tin price had risen by 2.4 ringgit a kilo over the past 12 months. This had resulted in an additional income of US$115m for producers.

Responding to criticisms from Malaysian miners that Malaysia should quit the export quota pact, Dr Lim said: "I would like to remind those still calling for free market forces to determine tin prices that, in a situation of surplus, the conditions for the free play of market forces are not present.

"In such a surplus, producers would be at the mercy of market manipulators unless they had well-conceived plans to help themselves."

The minister also expressed concern over the longer-term trend of stagnant or declining tin consumption. He suggested the budget for the London-based International Tin Research Institute should be doubled from the current 0.5 per cent to 1 per cent of ATPC members' sales.

The ATPC is expected to appoint Mr Redzuan Sumun, Malaysia's chief inspector of mines, as its secretary general to replace Mr Victor Siahan of Indonesia, whose term of office has expired.

Tin on the Kuala Lumpur tin market rose by 5 cents yesterday to 16.95 ringgit a kilo. Dealers asay the underlying tone was firm and expect the 17 ringgit barrier to be breached soon, particularly with the start of tin futures trading in Kuala Lumpur next month.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Change during week ended last Friday)

		(tonnes)
Aluminium standard	−10,125	to 64,225
high grade	−5,175	to 35,150
Copper	−3,025	to 108,700
Lead	−25	to 19,400
Nickel	+378	to 3,984
Tin	−315	to 21,330
Zinc	−3,150	to 35,550
		(ounces)
Silver	203,440,00	(unchanged)

LONDON MARKETS

SHARP FALLS in stocks of aluminium at London Metal Exchange warehouses helped prices for the metal to continue their recent bull trend yesterday. Stocks of the standard grade metal fell by 10,125 tonnes last week, and the three-month contract added £20 a tonne to the £65 gain over last week, closing at £1,115.50 a tonne—its highest since December 28 1983. Stocks of high grade, or 99.7 per cent pure metal, fell by 5,175 tonnes. The three-month contract in high-grade metal, which put on $63.50 last week closed up a further $36.50 at $1,850 a tonne. Dealers said the main factors behind the rise were a tight fundamental background, constructive charts and tightness at the LME because of potential commitments in the opions market. Meanwhile optimistic sentiment about the outcome of the continuing International Coffee Organisation talks on export quotas helped coffee prices to recover further ground in fairly modest trading.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1980-2000	+48.5	—
3 months	1845-55	+36.5	—

Official closing (am): Cash 1,980-90 (1,940-50), three months 1,825-30

INDICES

REUTERS

Sept. 25	Sept. 24	M'th ago	Year ago
1647.9	1651.0	1668.4	1609.92

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 25	Sept. 24	M'th ago	Year ago
Spot	127.93	128.26	—	125.24
Fut	130.76	133.99	—	123.75

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 28 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1950/980	+25	$1750/770
Copper			
Cash Grade A	£1147	+1.5	£1051.5
3 months	£1129.5	+6	£1036.5
Gold Troy oz	$462.25	+0.25	$453.75
Lead Cash	£364	—8	£417.5
3 months	£355.5	—9	£394.25
Nickel			
Free Mkt	244/264c	+2	247/267c
Palladium oz	$135.75	—1.85	$138.85
Platinum oz	$586.00	—1.50	$598.00
Quicksilver†	$305/318		$280/280
Silver troy oz	465.30p	+3.25	464.85p
3 months	477.35p	+3.80	476.85p
Tin			
free Mkt	£4150/180	+10	£4220/250
Tungsten	$53.78		$53.23
Wolfram 22.05lb	$36/50		$48/55
Zinc	£470	+1.5	£487.5
3 months	£472.5	+1.75	£488.5
producers	$860		$860
OILS			
Coconut (Phil)	$500w	+5	$490
Palm Malayan	$365z		$325
Seeds			
Copra (Phil)	$320		$330
Soyabean (U.S.)	$151.5	—0.5	$149
GRAINS			
Barley Fut. Jan.	£103.45	—0.75	£100.75
Maize	£131.50		£153.00
Wheat Fut. Jan.	£107.05	—0.90	£103.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1252	—6	£1289.5
Coffee Ft. Nov	£1296.5	+9.5	£1538.5
Cotton A Ind.*	82.60c	—0.85	87.60c
Gas Oil . Nov.	$160.75	+0.25	$168.25
Rubber (kilo)	67p		70.75p
Sugar (raw)	$162.6w	+5.4	$147.5
Wooltops 64s	483p kilo		527p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 3.25p an ounce higher for spot delivery in the London bullion market yesterday at 465.3p. US cent equivalents of the fixing levels were: spot 763c, up 6c; three-month 778.1c, up 6.95c; six-month 794c, up 7.75c; and 12-month 828.95c, up 8.45c. The metal opened at 460-461½p (758-760c) and closed at 465½-467p (765-767c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoff'l	+ or —
Spot	465.30p	+3.25	763c	—2
3 months	477.35p	+3.80	776c	—3
6 months	489.25p	+4.25	—	—
12 months	513.80p	+4.78	—	—

LME—Turnover: Nil (nil) lots of 10,000 ounces.

Three months final kerb: 777-80c.

COFFEE

Robustas steadied in very quiet and thin conditions, reports Drexel Burnham Lambert. Early commission house buying steadied values but the firmer tone was short-lived after the consumers detailed certain reservations about the producers' proposal. The market closed mixed in light volume, dealers remaining sidelined awaiting further developments from the ICO talks.

COFFEE	Yesterday close	+ or —	Business done
Sept	1265-1267	+8.0	1278-1260
Nov	1295-1298	+9.5	1309-1290
Jan	1322-1324	+9.0	1332-1316
Mar	1344-1346	+8.5	1354-1335
May	1360-1365	+8.0	1372-1360
July	1380-1385	+9.0	1384
Sept	1390-1400	—1.0	—

Sales: 2,141 (1,586) lots of 5 tonnes. ICO indicator prices (US cents per pound) for September 25: Comp. daily 1979 103.14 (102.58); 15-day average 104.86 (105.57).

COCOA

Futures failed to attract much interest and followed an unchanged opening drifted lower gradually, reports Gill and Duffus.

US MARKETS

THE MARKETS were quiet and local activity dominated most sessions, reports Drexel Burnham Lambert. Trade buying firmed crude oil which then sold off as locals liquidated longs before they rebought. The precious metals were dominated by locals who first bought then liquidated their positions. Copper firmed in early trading to reach new contract highs, but good selling in the September/December switch prompted general short-covering as the market gave up all of its gains. Cocoa fell as commission house sell stops were elected despite scale-down trade buying. Coffee rallied on local and commission house buying, but gains were pared by profit-taking towards the close. Commission house buying of the October/March switch steadied sugar futures, but price-fix selling at the highs prompted a sell-off to the day's lows. Trade selling in cotton elected commission house stops as the market fell. In orange juice commission house buying steadied prices. Local short-covering steadied the grains despite prospects of good harvesting. In maize, light buying back of pre-hedges firmed the market. In the soyaoil reports that India will be tendering today coupled with strength in the Malaysian palm oil market helped firm the futures.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
Sept	85.00	85.00	—	—
Oct	83.30	81.80	—	—
Nov	83.30	81.80	—	—
Dec	83.30	81.50	84.00	82.80
Jan	80.40	78.75	—	—
March	76.75	75.25	—	—
May	72.00	70.75	—	—
July	69.50	69.00	—	—

HEATING OIL 42,000 gallons; cents/US gallons

	Close	Prev	High	Low
Oct	53.45	53.37	53.75	53.35
Nov	53.95	53.98	54.25	53.80
Dec	54.40	54.53	54.80	54.40
Jan	54.90	54.97	55.20	54.90
Feb	55.05	55.17	55.40	55.05
Mar	52.25	53.30	53.60	53.25
April	51.90	51.95	52.25	51.90
May	50.65	50.75	51.00	50.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
Nov	131.75	131.60	132.35	131.40
Jan	129.90	129.90	130.40	129.70
March	130.20	130.10	130.35	130.00
May	130.55	130.25	130.85	130.50
July	130.75	130.45	131.00	130.75
Nov	130.45	130.45	—	—
Jan	130.45	130.45	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	589.1	589.9	592.0	588.0
Jan	596.1	598.2	601.5	597.0
April	606.9	608.2	610.0	607.2
July	615.8	617.2	620.0	616.5
Oct	625.1	626.7	628.0	628.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
Sept	760.3	759.5	765.0	762.0
Oct	760.7	759.9	—	—
Nov	765.0	765.1	—	—
Dec	771.0	770.0	776.5	769.0
Jan	776.0	775.0	—	—
March	787.8	786.8	791.5	786.5
May	799.5	798.5	—	—
July	811.5	810.5	—	—
Sept	823.8	822.0	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Oct	6.18	6.15	6.25	6.15
Jan	6.58	6.62	6.65	6.64
March	7.03	7.11	7.17	7.03
May	7.27	7.37	7.37	7.28
July	7.42	7.53	7.53	7.41
Oct	7.65	7.77	7.73	7.65
Jan	7.82	8.04	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Sept	460.0	460.1	461.0	461.0
Oct	460.0	460.3	462.2	459.0
Nov	463.3	463.5	—	—
Dec	466.4	466.6	468.7	465.5
Feb	472.9	473.1	474.9	472.0
April	479.4	479.5	480.2	478.5
June	486.0	486.1	486.6	486.6
August	492.9	493.0	—	—
Oct	500.1	500.2	500.5	500.5
Dec	507.6	507.5	509.7	507.0
Feb	514.9	515.0	517.3	517.3
June	530.1	530.2	—	—

SPOT PRICES: Chicago loose lard 15.00 (same cents per pound. Handy and Harman silver bullion 765.0 (762.0) cents per troy ounce. New York tin 316-317 (same) cents per pound.

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
Oct	68.37	69.12	69.07	68.10
Dec	68.27	69.47	68.45	68.00
Feb	67.45	68.55	68.55	67.15
April	68.55	69.30	68.25	68.25
June	68.47	68.70	68.80	68.15
August	67.10	67.35	67.60	67.00
Oct	65.70	65.90	66.55	65.70

LIVE HOGS 30,000 lbs; Cents/lbs

	Close	Prev	High	Low
Oct	47.77	49.00	48.70	47.50
Dec	45.02	46.35	45.90	44.87
Feb	42.90	44.10	43.95	42.70
April	40.55	41.17	41.05	40.40
June	42.97	43.42	43.30	42.72
July	43.60	43.85	43.75	43.45

E. Midlands 100.80, N. East 98.30, Scotland 96.90. The UK monetary coefficient for the week beginning Monday October 5 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

POTATOES

The market was extremely quiet, trading in a narrow range at slightly lower levels, awaiting results of liftings due to start in earnest over October, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	83.00	83.10	83.00-82.50
Feb.	96.50	97.00	—
March	85.00	85.50	85.00
Apr.	132.50	133.20	132.90-132.0
May	147.00	148.50	147.00

Sales: 193 (458) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		Oct.
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.15z	n/a
Brent Blend	18.60-18.65	+0.035
W.T.I. (1pm edt)	19.57-19.60	+0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($per tonne)		
Premium gasoline	175-177	—
Gas Oil	156-158	—
Heavy fuel Oil	95-97	—
Naphtha	158-160	—

* November

Petroleum Argus estimates

TEA

At the London tea auction there were 28,927 packages on offer including 400 packages offshore, reports Tea Brokers' Association. Best liquoring African CTCs met fair competition in the range 160p-209p but mediums were a weak feature and plainer lines were neglected. East Africans were irregular and although brighter teas closed lower, mediums came in for better enquiry and brightest types were often 2p-3p dearer, including dust grades. Central Africans continued to receive good support and the majority rose. Offshore teas met good demand at firm to dearer rates. Quotations: Quality 172p a kg (160p): medium 108p a kg (105p) low medium 82p a kg (78p).

COTTON

LIVERPOOL—Spot and shipment sales for the week ending September 25 amounted to 384 tonnes, against 443 tonnes in the previous week. Trading was moderate with support seen for

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar finds no inspiration

THE DOLLAR found no fresh inspiration from the Group of Seven meeting of finance ministers from the leading industrial nations in Washington at the weekend.

Finance ministers affirmed their commitment to the Paris currency agreement of February, but this was widely expected, and had no impact.

In general the trend was for a slight improvement by the dollar, mainly as the result of optimism about a possible reduction in the US twin deficits on the budget and trade.

President Reagan agreed to sign the Gramm-Rudman bill on the US budget and debt ceiling. Suggestions the US trade deficit in August, to be published next month, will decline from the record $16.47bn in July have followed recent news about a reduction in the West German and Japanese trade surpluses.

These helped underpin the US currency, but dealers remained unconvinced the dollar would hold in its present trading range in the longer term. Sentiment pointed towards a further gradual weakening.

The dollar rose to DM1.8250 from DM1.8205; to FFr6.0825 from FFr6.07; to SFr1.5140 from SFr1.5110; and to Y144.10 from Y143.65.

On Bank of England figures the dollar's index rose to 101.3 from 101.2.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index rose 0.2 to 73.2, compared with 71.9 six month ago.

Sterling shrugged off the disappointment of last week's UK trade figures to finish little changed against the firmer dollar and stronger in terms of the D-mark. The level of DM 3.00 was still regarded as a barrier for the pound, where the market fears Bank of England intervention.

There were no new factors and dealers pointed out there would be no statistics to influence the currency this week.

The pound eased 5 points to $1.6415-1.6425, but rose to DM 2.9975 from DM 2.99; to FFr 9.9875 from FFr 9.97; to SFr 2.4850 from SFr 2.4825; and to Y236.50 from Y236.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7680. August average 1.8573. Exchange rate index 146.3 against 146.9 six months ago.

The D-Mark weakened against the dollar in dull Frankfurt trading. Weekend talks in Washington by Group of Seven ministers had no impact, and the dollar drifted in a narrow range, finishing little changed from its opening level. It closed in Frankfurt at DM 1.8240, compared with DM 1.8200 on Friday. The Bundesbank did not intervene when the dollar was fixed at DM 1.8253, compared with DM 1.8207 previously.

Comments by Mr Karl Otto Poehl, president of the Bundesbank, that a further fall by the dollar would have no beneficial effect on correcting external imbalances, were largely ignored. Dealers said he was merely restating known Bundesbank views.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. Augus average 147.57. Exchange rate index 221.2 against 216.3 six months ago.

The yen weakened against the dollar, after G7 ministers, meeting in Washington at the weekend, endorsed the February Paris currency agreement. This was no

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1062	+1.53	+0.81	±1.5344
Danish Krone	7.85212	7.98253	+1.66	+0.94	±1.6404
German D-Mark	2.05853	2.07699	+0.90	+0.18	±1.0981
French Franc	6.90403	6.92464	+0.30	−0.42	±1.3674
Dutch Guilder	2.31943	2.33771	+0.79	+0.07	±1.5012
Irish Punt	0.768411	0.774349	+0.77	+0.05	±1.6684
Italian Lira	1,483.58	1,498.40	+1.00	+0.63	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6370-1.6450	1.6415-1.6425	0.33-0.30 cpm	2.30	0.98-0.94 pm	2.34
Canada	2.1497-2.1574	2.1550-2.1560	0.16-0.06 c pm	0.61	0.31-0.20 pm	0.47
Netherlands	3.36½-3.37¼	3.36¾-3.37¾	1½-1¼ c pm	4.89	4¼-3⅞ pm	4.74
Belgium	62.02-62.22	62.10-62.20	21-17 c pm	3.67	60-53 pm	3.64
Denmark	11.49½-11.52¼	11.50¾-11.51¾	⅛ dis-⅛ ore pm	−0.26	½ pm-¼ ore dis	−0.13
Ireland	1.1123-1.1179	1.1161-1.1171	0.15-0.09c pm	1.29	0.46-0.30 pm	1.36
W. Germany	2.98¾-3.00¼	2.99¾-3.00¾	1½-1⅜ pf pm	5.75	4¼-4⅜ pm	5.75
Portugal	235.20-236.59	235.56-236.52	50-110 c dis	−4.07	235-355 dis	−5.17
Spain	199.38-199.79	199.51-199.79	5-31 c dis	−1088	119-154 dis	−2.73
Italy	2156½-2167¼	2159½-2160½	6-9 lire dis	−4.17	24-26 dis	−4.63
Norway	10.92½-10.95¼	10.93½-10.94½	3⅜-3¾ ore dis	−3.91	9¾-10⅜ dis	−3.68
France	9.96½-9.99¼	9.98¾-9.99¾	1⅞-1⅝ c pm	2.10	5⅛-4⅝ pm	1.95
Sweden	10.48½-10.51¼	10.50-10.51	⅞-⅛ ore pm	0.79	1⅞-1⅛ pm	0.57
Japan	236-237	236-237	1⅛-1 y pm	5.39	3⅜-3⅛ pm	5.39
Austria	21.03-21.12	21.07-21.10	10¼-9⅞ gro pm	5.40	29¾-27¼ pm	5.18
Switzerland	2.48-2.49¼	2.48-2.49	1⅞-1⅝ c pm	6.04	4-3⅞ pm	6.34

Belgian rate is for convertible francs. Financial franc 62.40-62.50. Six-month forward dollar 1.71-1.66 c pm. 12-month 2.70-2.60 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6370-1.6450	1.6415-1.6425	0.33-0.30c pm	2.30	0.98-0.94pm	2.38
Ireland†	1.4689-1.4710	1.4700-1.4710	0.10-0.05c pm	0.61	0.41-0.31pm	0.98
Canada	1.3110-1.3130	1.3110-1.3120	0.17-0.20c dis	−1.69	0.60-0.63 dis	−1.87
Netherlands	2.0505-2.0560	2.0530-2.0540	0.45-0.42c pm	2.54	1.26-1.21pm	2.41
Belgium	37.80-37.95	37.80-37.90	4.73-3.75c pm	1.35	13.00-11.00pm	1.27
Denmark	7.00-7.02¾	7.00½-7.01	0.60-1.30ore dis	−1.61	2.65-3.35 dis	−1.69
W. Germany	1.8200-1.8265	1.8245-1.8255	0.57-0.54pf pm	3.65	1.66-1.61pm	3.58

£ IN NEW YORK

Sept. 28	Latest	Previous Close
£ Spot	1.6415-1.6425	1.6420-1.6430
1 month	0.30-0.29pm	0.33-0.31pm
3 months	0.93-0.90pm	0.97-0.94pm
12 months	2.78-2.68pm	2.70-2.60pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Sept. 28	Previous
8.30	am	73.2	73.0
9.00	am	73.2	73.0
10.00	am	73.2	72.9
11.00	am	73.2	73.0
Noon		73.2	73.0
1.00	pm	73.1	73.0
2.00	pm	73.1	72.9
3.00	pm	73.1	73.0
4.00	pm	73.2	73.03

CURRENCY RATES

Sept. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.784400	0.694244
U.S. Dollar	5.5	1.28673	1.13752
Canadian $	8.75	*	1.49311
Austrian Sch.	4	16.5295	14.6160
Belgian Franc	7¾	48.7220	43.1062
Danish Krone	7	9.02448	7.98253

FINANCIAL FUTURES

Little reaction to G7 meeting

PRICES SHOWED little reaction to the weekend meeting of G7 ministers. Reaffirmation of the Louvre accord and little else, tended to fit into most people's expectations.

President Reagan's pledge to sanction legislation to reduce the US budget deficit had pushed prices firmer in the Far East and while three-month Euro-dollars opened on a firm note in London, profit takers were quick to take their chance and values tended to drift away.

Scraping away the thin layer of hope brought about by prospects of a cut in the budget deficit, traders found little cause for comfort and a higher trend in cash rates and an ever steepening yield curve meant that many speculators tended to remain extremely cautious.

Euro-dollars for December delivery opened at 91.65 up from 91.60 but slipped away to a low of 91.58 before finishing at 91.57.

US Treasury bonds opened much firmer in London after a strong finish in the Far East. However trading remained quiet in London and the December price traded between 82-22 and 82-26 for much of the morning, having opened at 82-26, up from 82-09 on Friday. The entry of Chicago and news that the US Treasury was to hold a series of rescheduled note and bill auctions this week prompted a bout of sustained selling and the December price fell away to close at 82-05.

Gilt prices opened stronger in line with a firmer pound but with an absence of any key economic indicators over the next few days and little obvious prospect of an early change in interest rates so prices tended to remain within a narrow range. The December price opened at 114-21 up from 114-08 and traded in a range of 114-17-25 for much of the day before a late squeeze took values up to a closing level of 114-28.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	7.03	7.48	0.11	0.50
110	5.17	6.14	0.25	1.16
112	3.44	4.55	0.52	1.57
114	2.20	3.44	1.28	2.46
116	1.23	2.46	2.31	3.48
118	0.47	1.60	3.55	4.62
120	0.23	1.22	5.31	6.24
122	0.10	0.58	7.18	7.60

Estimated volume total, Calls 932 Puts 757
Previous day's open int: Calls 25,883 Puts 17,225

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	4.44	4.32	0.34	1.14
80	3.14	3.17	1.04	1.63
82	2.04	2.16	1.58	2.62
84	1.14	1.31	3.04	4.13
86	0.43	0.60	4.33	5.42
88	0.21	0.36	6.11	7.28
90	0.10	0.21	8.00	9.03
92	0.04	0.11	9.58	10.57

Estimated volume total, Calls 58 Puts 30
Previous day's open int: Calls 1,417 Puts 726

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Sept.	Calls-Last Oct.	Puts-Last Sept.	Puts-Last Oct.
22750	15.67	16.76	0.47	7.56
23000	13.45	14.78	0.75	2.08
23250	11.96	12.92	7.16	2.72
23500	9.42	11.19	1.72	3.49
23750	7.66	9.60	2.46	4.40
24000	6.10	8.15	3.40	5.45
24250	4.75	6.85	4.55	6.65
24500	3.61	5.70	5.91	8.00

Estimated volume total, Calls 1 Puts 1
Previous day's open int: Calls 59 Puts 61

MONEY MARKETS

UK rates show little change

INTEREST RATES were virtually unchanged in London yesterday. Sterling finished slightly firmer in the wake of last weekend's G7 meeting but the prospect of any early change in rates seemed to be as remote as ever. While short dated money remained relatively expensive, longer dated paper was virtually unchanged.

UK clearing bank base lending rate 10 per cent since August 7

Three-month interbank money was quoted at 10¼-10⅛ per cent, the same as on Friday. Overnight money opened at 10⅛-9⅞ per cent and rose to 10½-10¼ per cent. It touched 11 per cent as the Bank did not take out the full shortage although late balances were taken down to 8 per cent after late assistance from the authorities.

The Bank of England forecast a shortage of around £250m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £873m and banks' balances brought forward £25m below target. These were partly offset by Exchequer transactions which added £285m and a fall in the note circulation of £370m.

The Bank revised its forecast to a shortage of around £350m but gave no assistance in the morning. A further revision in the afternoon took the forecast to a shortage of around £400m, and the Bank gave assistance in the afternoon of £144m through outright purchases of £121m of eligible bank bills in band 1 at 9⅞ per cent and £23m in band 2 at 9⅞ per cent. Late help came to £175m, making a total of £319m.

In Frankfurt call money was quoted at 3.5-3.6 per cent, unchanged from Friday. Short term liquidity remained in good supply despte proximity of the month end and a drain on funds to meet pension payments. Commercial banks appeared to be well on target to meet their minimum reserve requirements for September.

In Paris the bank of France announced its intention of offering a securities repurchase agreement in order to boost domestic liquidity. While there was no credit facility maturing, traders saw the move not as a sign of any change in policy but simply a move to offset recent strains on short term liquidity. Call money was quoted at 7½ per cent, down from 8⅛ per cent on Friday but up sharply from the 7¼ per cent level quoted a week ago. Tender results showed a total of FFr 20.3bn allocated at an unchanged rate of 7½ per cent, the allocation representing 45 per cent of the total applications.

EURO-CURRENCY INTEREST RATES

Contracts and Tenders

Company Notices

CLASSIFIED ADVERTISEMENT RATES

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Appointments	12.50	43.00
Commercial and Industrial Property	12.00	41.00
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Residential Property	9.50	32.00
Business Opportunities	13.00	44.00
Business for Sale/Wanted	12.00	41.00
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FT 30			FTSE 100			WALL STREET		
Sept	1848/54	+17	Sept	2364/71	+25	Oct	2613/21	+38
Dec	1894/1901	+23	Dec	2423/30	+32	Dec	2627/35	+37

Dealing hours from 9am to 9pm. Prices taken at 5pm.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 28 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.1154
Algeria	Dinar	7.6541
Andorra	French Franc	9.9875
	Spanish Peseta	199.65
Angola	Kwanza	49.687
Antigua	E. Caribbean $	4.43
Argentina	Austral	4.2445
Aruba	Florin	2.9556
Australia	Australian $	2.2510

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	MONDAY SEPTEMBER 28 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	FRIDAY SEPTEMBER 25 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (93)	175.63	+0.2	158.57	160.50	2.42	175.32	158.25	161.03	180.81	99.92	82.14
Austria (16)	100.84	+0.1	91.05	95.59	2.16	100.75	90.94	95.39	102.87	85.53	93.53
Belgium (48)	127.56	−0.2	115.17	119.69	3.97	127.84	115.39	119.80	134.89	96.19	89.25
Canada (129)	136.93	+0.1	123.63	130.03	2.30	136.83	123.50	129.99	141.78	100.00	96.30
Denmark (39)	116.98	+0.3	105.62	111.49	2.55	116.66	105.30	111.11	124.83	98.18	96.56
France (121)	111.01	−0.7	100.23	105.92	2.67	111.74	100.86	106.40	121.82	98.39	94.08
West Germany (92)	100.15	−0.4	90.43	95.02	2.00	100.60	90.80	95.21	104.93	84.00	90.97
Hong Kong (45)	155.67	+1.7	140.55	156.01	2.35	153.08	138.17	153.40	155.67	96.89	81.79
Ireland (14)	147.88	+1.3	133.52	141.70	3.17	145.97	131.75	139.82	147.88	99.50	82.80
Italy (76)	92.10	+0.6	83.16	90.49	2.03	91.53	82.62	89.82	112.11	84.22	98.19
Japan (458)	148.65	+3.5	134.22	135.40	0.51	143.58	129.60	130.37	161.28	100.00	101.67
Malaysia (36)	176.94	+1.9	159.76	172.06	2.14	173.70	156.79	168.71	193.64	98.24	87.62
Mexico (14)	380.78	+0.2	343.80	649.25	0.46	379.89	342.90	646.08	422.59	99.72	66.82
Netherland (37)	125.56	+1.7	113.37	117.68	3.82	123.44	111.43	115.44	131.41	99.65	94.63
New Zealand (24)	134.16	+0.5	121.14	109.87	2.69	133.54	120.54	110.25	138.99	83.93	74.38
Norway (24)	174.78	−2.4	157.81	158.06	1.74	179.10	161.67	161.97	185.01	100.00	102.46
Singapore (27)	165.20	+2.0	149.16	159.19	1.54	162.00	146.22	156.10	174.28	99.29	88.65
South Africa (61)	186.48	−0.2	168.37	134.78	3.11	186.84	168.64	135.04	198.09	100.00	104.12
Spain (43)	159.32	−0.7	143.85	146.71	2.70	160.38	144.77	147.63	165.92	100.00	97.46
Sweden (33)	128.22	−1.6	115.77	121.43	1.91	130.29	117.61	123.25	132.10	90.85	95.31
Switzerland (53)	108.29	+0.1	97.77	101.64	1.64	108.13	97.60	101.29	110.00	92.01	90.25
United Kingdom (332)	159.24	+1.0	143.78	143.78	3.14	157.69	142.34	142.34	162.87	99.65	89.39
USA (586)	131.81	+0.9	119.01	131.81	2.79	130.69	117.96	130.69	137.42	100.00	95.63
Europe (928)	128.68	+0.4	116.18	119.46	2.78	128.12	115.65	118.81	128.88	99.78	91.87
Pacific Basin (683)	149.80	+3.3	135.25	136.76	0.66	145.01	130.89	132.04	158.77	100.00	100.20
Euro—Pacific (1611)	141.41	+2.2	127.68	129.86	1.43	138.31	124.84	126.74	143.65	100.00	96.91
North America (715)	132.08	+0.8	119.26	131.74	2.76	131.01	118.26	130.67	137.55	100.00	95.67
Europe Ex. UK (596)	109.69	−0.1	99.04	104.24	2.46	109.75	99.06	104.10	111.97	98.02	93.42
Pacific Ex. Japan (225)	164.03	+0.8	148.11	153.72	2.37	162.73	146.89	152.99	164.03	99.92	81.78
World Ex. US (1815)	141.90	+2.1	128.12	130.22	1.48	138.93	125.41	127.26	143.38	100.00	96.92
World Ex. UK (2069)	135.87	+1.7	122.67	129.72	1.83	133.55	120.54	127.34	138.82	100.00	97.08
World Ex. So. Af. (2340)	137.63	+1.7	124.27	130.96	1.95	135.36	122.18	128.65	139.47	100.00	96.35
World Ex. Japan (1943)	132.84	+0.7	119.94	128.83	2.75	131.95	119.10	127.94	134.05	100.00	93.86
The World Index (2401)	137.94	+1.7	124.55	131.03	1.96	135.69	122.48	128.73	139.73	100.00	96.40

Base values: Dec 31, 1986 = 100

At the quarter-end review of the FT-Actuaries World Index it was decided to include the following constituents, with effect from October 1: Hugo Boss Pref (Germany); Compagnie Generale d'Electricite (France); Mandarin Oriental International (Hong Kong); Bergesen D.Y. 'B' (Norway); Placer Dome (Canada); Hogg Robinson, Blue Arrow, BAA and FKI Electricals (UK) and Astra 'B' Free (Sweden). Deletions: Codan Forsikring (Denmark) and Bik Bok Gruppen (Norway).

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Nov 87		Feb 88		May 88		
GOLD C	$460	—	—	1	29.50	—	—	$462.30
GOLD C	$480	34	7.20	—	—	—	—	"
GOLD C	$500	85	3	—	—	35	20.60	"
GOLD P	$420	—	—	110	4.40	—	—	"
		Dec. 87		March 88		June 88		
SILVER C	$750	10	60	—	—	—	—	$767
SILVER C	$800	3	30	2	80	—	—	"
		Oct. 87		Nov. 87		Dec. 87		
£/Fl C	Fl.335	100	2.80	—	—	30	3.50	Fl.337.22
		Oct. 87		Nov. 87		Dec. 87		
$/Fl. C	Fl.200	1	5	10	6	36	6.40	Fl.205.27
$/Fl. C	Fl.205	15	1.60A	—	—	7	3.20	"
$/Fl. C	Fl.210	205	0.50	31	0.90	—	—	"
$/Fl. C	Fl.220	10	0.10	—	—	—	—	"
$/Fl. P	Fl.205	12	1.80	—	—	3	4.20	"
		Mar 88		Jun 88		Sept 88		
$/Fl C	Fl.200	—	—	1	7.60	—	—	Fl.205.27
$/Fl C	Fl.195	—	—	—	—	1	5.50	"
$/Fl C	Fl.205	3	7.20A	—	—	—	—	"
$/Fl C	Fl.210	1	9.50	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.50	540	0.20	75	2.10B	34	3.10	Fl.46.90
ABN P	Fl.50	217	3.60	192	3.60	—	—	"
AEGON C	Fl.90	54	1	30	5.20	—	—	Fl.87
AEGON P	Fl.80	40	0.50	11	1.30	—	—	"
AHOLD C	Fl.110	10	0.90	104	4.10	—	—	Fl.104.70
AHOLD P	Fl.100	97	0.80	110	3	—	—	"
AKZO C	Fl.190	107	1	590	6.70	15	10.90	Fl.177.70
AKZO P	Fl.170	232	1.10	79	6	4	8	"
AMEV C	Fl.65	111	0.50	108	2.50B	3	3.90	Fl.60.70
AMEV P	Fl.65	18	5.30	10	5.50	—	—	"
AMRO C	Fl.85	71	1.20	28	4.80	5	6.30	Fl.83.70
AMRO P	Fl.85	239	2	3	4.60	7	6.30	"
ELSEVIER C	Fl.65	178	1.10A	99	4.30	—	—	Fl.61
ELSEVIER P	Fl.60	110	1.30	106	3.50	20	5.50	"
GIST-BROC. P	Fl.50	11	2.10	74	3.80	—	—	Fl.48.30
HEINEKEN C	Fl.190	30	1	15	5.20	—	—	Fl.176.50
HEINEKEN P	Fl.170	99	1.10	4	4.20	—	—	"
HOOGOVENS C	Fl.45	40	3.50	—	—	—	—	Fl.47.50
HOOGOVENS P	Fl.50	58	3.30	89	4.50	—	—	"
KLM C	Fl.55	146	0.80B	534	3.70	66	5.50	Fl.53.40
KLM P	Fl.50	120	0.30	89	2	14	3.30	"
NEDLLOYD C	Fl.210	37	1.20	4	9	1	14.50	Fl.190.50
NEDLLOYD P	Fl.170	36	0.80	5	4.80	3	9	"
NAT.NED. C	Fl.75	80	1	171	4.10	—	—	Fl.73.50
NAT NED P	Fl.75	31	2.10	58	3.90	—	—	"
PHILIPS C	Fl.55	303	0.40B	760	2.10A	76	3.10	Fl.51.30
PHILIPS P	Fl.55	212	4.20	84	5.20	156	6	"
ROYAL DUTCH C	Fl.270	2564	5.20	1338	14	14	18.50	Fl.269.70
ROBECO P	Fl.120	—	—	11	8.70	—	—	Fl.111.30
UNILEVER C	Fl.140	369	3.10	66	9.90	3	14	Fl.139.50
UNILEVER P	Fl.136	112	1.10	142	5.30	—	—	"

TOTAL VOLUME IN CONTRACTS: 33,047

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williamson Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	§11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

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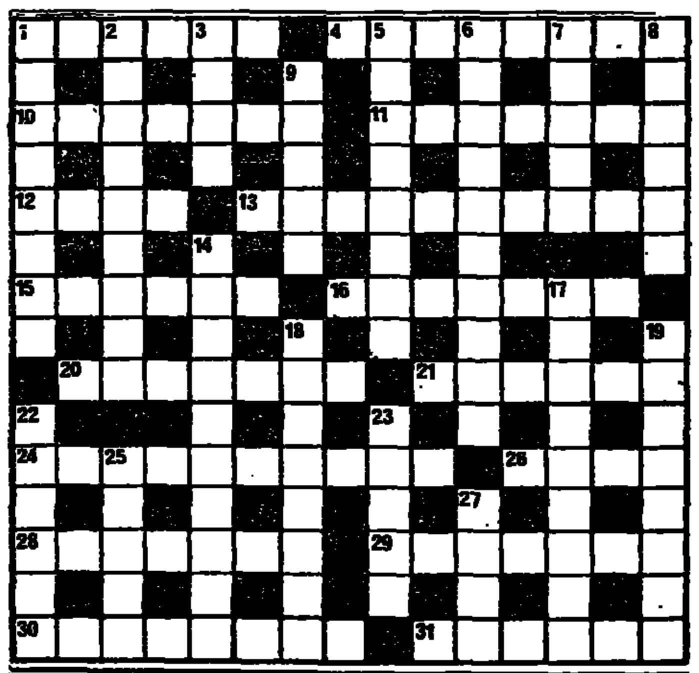
Contracts & Tenders

FT CROSSWORD PUZZLE No. 6,442

DANTE



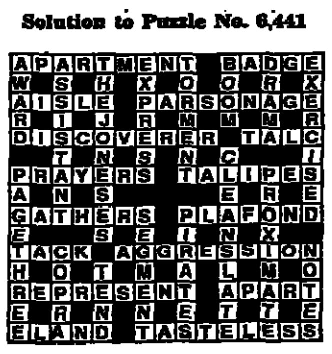
ACROSS

1 His cricket records still stand today (6)
4 They travel with others to work (8)
10 Badly aligned at the front (7)
11 His drawings are refreshing (7)
12 An act of duplicity? (4)
13 One of the fruits of advanced age? (10)
15 Sewer used for the introduction of drugs (6)
16 Profit in a way when in opposition (7)
20 Time for expansion (7)
21 Clergyman taking a point to heart may be fired (6)
24 A Spanish fan (10)
26 A sign of increasing significance (4)
28 Wrong terrain for a coach (7)
29 It's the custom at home (7)
30 An animal looking for his master (5-3)
31 A golfer won't take it lying down (6)

DOWN

1 Congratulations on a boring job completed (4, 4)
2 What the bank has to say of your account? (9)
3 Take a meal up for the girl (4)
5 On balance it's depressing to do this (8)
6 The present US president is non-democratic (10)
7 Put your name down to go in (5)
8 Wanders away from the street lights (6)
9 Quick to move, I left in time (5)
14 Loyalty is required, for instance, in a union (10)
17 Card one has not turned over (9)
18 Involved in a score or film story (8)
19 Drink I put down before going out (8)
22 Cheap newspaper has a stock phrase for the riff-raff (6)
23 How pointless to follow a girl in a state (5)
25 Question one is on Irish force seen in the Middle East (5)
27 A sporting investment aid (4)

Solution to Puzzle No. 6,441



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Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	111.5	117.9	+0.9	1.02
(Accum Units)	116.8	123.5	+0.8	1.02
American Income	50.4	53.3xd	+0.2	3.68
(Accum Units)	56.3	59.5xd	+0.3	3.68
American Sm Cos Fd	51.2	54.1	+0.7	0.49
(Accum Units)	51.2	54.1	+0.7	0.49
British Blue Chip Fund	53.5	56.6xd	+0.7	2.24
(Accum Units)	54.4	57.5xd	+0.7	2.24
European Growth	164.6	174.1	+0.9	0.40
(Accum Units)	172.2	182.1	+1.3	0.40
European Income	86.7	91.7	+0.9	3.35
(Accum Units)	91.1	96.4	+1.0	3.35
Exempt	366.0	376.2	...	2.37
(Accum Units)	581.4	596.3	...	2.37
General	394.2	417.3xd	+3.6	1.50
(Accum Units)	658.9	697.2xd	+6.1	1.50
Gilt	88.3	88.7	+0.5	7.99
(Accum Units)	105.0	105.5	+0.7	7.99
Global Fund	54.5	57.6	+0.8	0.64
(Accum Units)	54.5	57.6	+0.8	0.64
High Income Fund	53.6	56.8xd	+0.5	4.45
(Accum Units)	56.5	59.7xd	+0.5	4.45
High Interest Fund	44.5	47.0xd	+0.1	9.56
(Accum Units)	45.9	48.5xd	+0.2	9.65
Income	131.6	139.2xd	+1.2	2.85
(Accum Units)	151.9	160.7xd	+1.4	2.85
International	313.5	331.7	+4.5	1.39
(Accum Units)	392.3	415.1	+5.7	1.39
Japan	217.3	229.9	+7.5	0.71
(Accum Units)	223.0	235.9	+7.6	0.71
Pacific Fund	62.8	66.4	+0.5	0.10
(Accum Units)	62.8	66.4	+0.5	0.10
Recovery	332.9	352.2	+2.4	1.91
(Accum Units)	362.0	383.0	+2.9	1.91
UK Smaller Co's Fund	57.7	61.0xd	+0.5	1.02
(Accum Units)	58.3	61.6xd	+0.5	1.02

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept 23	633.5	642.9	..	1.06

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	125.1	133.1	+1.4	0.96
PM Income and Growth	108.2	115.2xd	+1.1	2.87
PM N American Growth	57.7	61.3	-0.3	0.34
PM European Growth	53.0	56.3	+0.2	0.55
PM Japan Growth	72.3	76.9	+1.7	0.35
PM Overseas Growth	56.9	60.5	+0.1	0.42

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Linkline 0800 010345

Holborn Comm Tst.	84.6	89.5xd	...	0.34
Holborn Equity Income	75.7	80.1xd	...	3.21
Holborn Equity Tst.	614.7	650.6	...	2.08
Holborn European Tst.	128.5	135.9	...	.61
Holborn Gilt Tst.	210.5	219.5	...	2.17
Holborn High Inc Tst.	92.1	96.6xd	...	4.47
Holborn Intl Grth Tst.	125.7	133.0	...	0.66
Holborn Intl Sm Cos	—	50.0	...	0.05
Holborn Japanese Tst.	136.5	143.3xd	...	0.40
Holborn N. Amer. Tst.	96.8	102.4	...	0.47
Holborn Sm Cos Tst.	82.9	87.7	...	1.55
Holborn Spec Sits Tst.	110.1	116.5	...	1.25
Holborn UK Growth Tst.	122.5	129.4xd	...	1.44

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen Fd	683.7	723.5	...	1.35
Quadrant Income	344.3	364.4	...	3.46
Quadrant Intl. Fund	454.9	481.4	...	1.09
Quadrant Spec. Sits	481.9	510.0xd	...	1.34

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	255.3	271.5	+3.4	2.22
Reliance Unit Tst (Inc)	177.4	188.6	+1.1	1.40
Reliance Ut Tst (Acc)	238.7	253.9	+1.5	1.40

Rensburg Fund Managers
Stildouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	51.5	54.3	—	1.49

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int.	226.5			—
Do. Accum.	279.2			—
Guaranteed Int.	150.0			—
Do. Accum.	195.9			—
International Int.	499.6			—
Do. Accum.	615.2			—
Index Lk Gilt Int.	135.7			—
Do. Accum.	167.2			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	317.6	+1.0	—
Property Pens.	428.4	+1.8	—
Equity	203.6	+1.4	—
Equity Pens.	931.7	+12.0	—
Money Market	295.7	+0.1	—
Money Mkt. Pens.	332.6	-0.1	—
Deposit	239.8	+0.1	—
Deposit Pens.	384.3	+0.2	—
Managed	303.7	+1.3	—
Managed Pens.	591.1	+4.0	—
Intl. Equity	363.2	+1.0	—
Do. Pens.	394.7	+2.3	—
Intl. Managed	331.4	+1.1	—
Do. Pens.	497.6	+2.6	—
North American	134.5	-0.2	—
Do. Pens.	155.3	-0.3	—
Far East	301.9	+1.7	—
Do. Pens.	449.1	+3.5	—
Intl. Currency	168.6	-0.5	—
Do. Pens.	217.3	-0.9	—
Index Linked	126.0	-0.3	—
S & C Managed Fd	141.8	+0.2	—
S & C Pens Mngd Fd	116.1	+0.2	—
Bell Chambers	129.8	+0.8	—
Loran & Loran	118.7	+0.4	—

Trustlink Life Funds

Per Worldwide Rec.	172.2	-0.2	—
Per Far East Growth	224.8	+0.8	—
Per Intl Growth	166.9	-0.1	—
Per Income	179.1	+0.6	—
Per Emerging Co's	166.6	-0.2	—
Per American Growth	149.6	-0.6	—
Per European Growth	138.9	+0.0	—
Fra American & Gen	125.8	+0.3	—
Fra Capital	183.3	+0.1	—
Fra Income	193.7	+0.5	—
Fra Intl Growth	138.4	+0.2	—
Fra Japan & Gen	186.1	+1.1	—
Fra Recovery	201.7	+0.4	—
Fra Convertible & Gilt	145.4	-0.4	—
Fra European	139.0	-0.3	—
GAR American	124.7	+0.5	—
GAR European	165.0	-1.0	—
GAR Far Eastern	198.6	+2.1	—
GAR British	189.4	+2.4	—
GAR Global	176.7	+0.6	—
GAR Special Situations	206.6	+1.7	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	58.5	61.6	+0.5	—
Stock Market Mngt Fund	60.6	63.8	+0.6	—
Equity Fund	65.5	69.0	+0.7	—
International Fund	56.9	59.9	+0.5	—
European Fund	54.8	63.0	-0.1	—
North American Fund	51.2	53.9	-0.1	—
Pacific Fund	66.5	70.0	+1.3	—
Property Fund	52.2	55.0	...	—
Fixed Interest Funds	48.2	50.8	+0.3	—
Index Linked Sec. Fund	45.2	47.6	+0.1	—
Deposit Fund	51.6	54.6	+0.1	—

NUAM Retirement Plans

Mixed Fund	62.3	65.6	+0.5	—
UK Ordinary Share	74.8	78.8	+1.1	—
International Fund	58.2	61.3	+0.1	—
Property Fund	52.3	55.1	...	—
Fixed Interest Fund	49.7	52.4	+0.1	—
Index Linked Sec Fund	45.5	47.9	-0.1	—
Deposit Fund	53.5	56.4	—	—

NUAM (NF)

Managed Fund	804.5	846.9	+7.2	—
Equity Fund	1754.6	1847.0	+21.8	—
Property Fund	325.1	342.3	+0.1	—
Fixed Interest Fund	355.4	374.2	+2.6	—
Deposit Fund	210.8	221.9	+0.5	—
International Fund	147.7	155.5	+1.3	—
Index Linked Sec Fund	45.1	47.5	+0.2	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plus*

Fixed Interest Fund	253.1	266.4	—	—
Index-Linked Sec Fund	130.1	136.9	—	—
Ordinary Share Fund	547.0	575.7	—	—
International Fund	147.1	154.8	—	—
Property Fund	162.9	171.4	—	—
Deposit Fund	167.6	176.4	—	—
Mixed Fund	347.4	365.6	—	—
Norwich Units Sep 15		1018.4		

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	157.0	165.3	—	—
Prop. Acc. (Gross) (z)	246.4	259.4	—	—
Equity (Gross) (z)	783.3	824.6	-1.0	—
Managed (Gross) (z)	524.8	552.5	-1.2	—
Prop. Acc. (Net) (z)	113.6	119.6	+0.1	—
Equity (Net) (z)	173.2	182.4	+0.9	—
Managed (Net) (z)	155.8	164.1	+0.6	—
International (net) (z)	148.5	156.4	-0.5	—
Gilt & Fxd Interest	91.5	96.4	-1.2	—
Money Fund	96.1	101.2	+0.1	—

Pearl Assurance (Unit Linked Pens) Ltd

Ret Man (Series 1) (z)	504.2	530.8	+2.7	—

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¾	100⅛	Treas. 12pc 1987	100⅛	+⅛	11.97	9.80
99⅞	97⅞	Treas 7¼pc 1985-88‡‡	99⅞	+⅛	7.80	9.60
102¼	99⅞	Exch 10½pc '88	100¼	+⅛	10.49	10.25
100⅞	98⅝	Treas 9¾pc Cv '88	99⅞	+⅛	9.79	10.25
97⅞	95⅞	Transport 3pc '78-88	96⅞	+⅛	3.10	7.57
101¼	98⅛	Treas. 9½pc '88	99⅞	+⅛	9.57	10.19
105⅞	101⅛	Treas 11½pc 1989	101⅞	+⅛	11.32	10.18
102⅞	97⅞	Treas 9½pc Cnv 1989	99⅞	+⅛	9.58	10.10
94⅞	89⅞	Treas 3pc 1989	93⅛	.....	3.22	7.56
104⅞	99⅞	Treas 10½pc 1989	100⅞	+⅛	10.45	10.16
103⅞	98⅞	Exch 10pc 1989	99⅞	+⅛	10.03	10.16
105⅞	100⅞	Exch 11pc 1989	101⅞	+⅛	10.84	10.16
95⅞	89⅞	Treas 5pc 1986-89	93⅞	.....	5.37	8.76
108⅞	99⅞	Exch 10¼pc Cv '89	100⅞	+⅛	10.16	9.72
111⅞	105	Treas 13pc 1990‡‡	105⅞	+⅛	12.29	10.06
106½	100⅞	Exch 11pc 1990‡‡	101⅞	+⅛	10.80	10.12
110⅞	104⅞	Exch 12½pc 1990	105⅞	+⅛	11.90	10.14
91⅞	84½	Treas. 3pc 1990	88⅞	+⅛	3.38	7.79
100⅞	93⅞	Treas 8¼pc 1987-90‡‡	95⅞	+⅛	8.63	10.14
105	97½	Treas. 10pc Cv 1990	99⅞	+⅛	10.04	10.14
89⅞	81⅞	Exch 2½pc 1990	85⅞	+⅛	2.91	7.57
116½	102⅞	Treas 11¾pc 1991	104⅞	+⅛	11.27	10.17
95⅞	87¼	Funding 5¾pc '87-91‡‡	89⅞	+⅛	6.41	9.23
89⅞	80¼	Treas. 3pc 1991	84⅞	+⅛	3.54	7.92
110⅞	99	Treas 10pc Cv '91 ‡‡	100⅞	+⅛	9.94	9.79
109⅞	101⅞	Exch. 11pc 1991	102⅞	+⅛	10.70	10.13
96⅞	91⅞	Treas. 8pc 1991	92⅞	+⅛		
116⅞	107¼	Treas 12¾pc 1992‡‡	108⅞	+⅛	11.72	10.15
106⅞	97⅞	Treas 10pc 1992	99⅞	+⅛	10.05	10.19
99⅞	90⅞	Treas. 8pc 1992 ‡‡	92½	+⅛	8.70	10.25
108⅞	99⅞	Treas 10¼pc Cv 1992‡‡	101⅞	+⅛	10.39	10.17
85⅞	79½	Treas. 3pc 1992	79⅞	+⅛	3.74	8.05
115⅞	106⅞	Exch. 12¼pc '92	107⅞	+⅛	11.40	10.24

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34⅞	25⅞	Tenneco $5	34¼	–¼	$3.04	—	5.5
220	149½	Do. 10pcLn Stk. 91-5	220xd	+5	10%	—	f4.7
29⅞	17⅞	Texaco $6.25	24⅞xd	–⅛	$3.00	—	7.4
74	47⅛	Time Inc. $1	63¾xd	–¼	$1.00	—	1.0
19⅞	11	Tracor $0.33	19⅛xd		40c	—	1.3
30¼	18⅞	Transamerica $1	25⅛	–⅛	$1.84	—	4.5
14⅞	922p	Transworld Corp $5	12¼	–⅛	20c	—	1.0
27	14⅞	TRINOVA Corp.	25¼	–¼	k$1.00		2.4
24	15	USX $1	22½	–⅛	$1.20	—	3.3
19⅞	15	Union Carbide $1	17⅛	+⅛	$1.50	—	5.4
37⅞	26⅞	Utd. Technologies	34xd	+⅛	$1.40	—	2.5
38⅞	27	US West	35⅞	+⅛	$3.28	—	5.6
30½	17⅛	Waste Management $1	29	+⅛	—	—	—
£31⅞	£20½	Whirlpool $1.0	£22⅛	–⅛	—	—	—
37⅛	26	Woolworth $3½	30	+⅛	$1.32	—	2.7

CANADIANS

1987 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
591p	362p	ABM Gold Corp	383p	–11	—	—	—
21½p	10p	Abbot Energy Corp.	21p	+½	—	—	—
18⅛	506p	Amer. Barrick Res.	17⅝xd	–⅛	—	—	—
136p	32p	Amer. Daleco	84p		—	—	—
141p	37½p	American Lightwave	40p	+1	—	—	—
122p	52p	Armeno	79p		—	—	—
19⅛	14⅛	Bk. Montreal	14½	–⅛	$2.00	—	6.3
10⅞	737p	Bk. Nova Scot.	737pxd	–23	72c	—	4.5
20⅞	17⅛	BCE	18¼		$2.40	—	6.1
10⅞	712p	Bow Valley	908p	+34	40c	—	—
20	12⅛	Brascan	18¼	+⅛	88c	—	2.2

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	348	.....	u10.5	2.9	4.2	12.7
474	316	Pearl Group 5p	454	–4	†10.5	—	3.2	—
*£11¼	804	Prudential	£10¾	+¼	†29.0	—	3.7	—
580	433	Refuge 5p	568	.....	15.75	—	3.8	—
591	423	Royal	585xd	+5½	†t15.5	—	3.6	—
103	93	Sabre Ins. Invs.	101	.....	—	—	—	—
*345	274	Sedgwick Group 10p	298	+3	12.0	1.7	5.7	12.4
339	207	Steel Burrill J.10p	235	.....	†9.0	2.0	5.2	13.1
668	403	Stewart Wr. 20p	555	+25	♦13.0	2.0	3.2	19.7
612	377	Sturge Hldgs 20p	513	–4	†t6.0	2.5	1.6	39.6
£11¼	645	Sun Alliance	£11¼	+⅛	†23.5	—	2.8	—
£12⅞	929	Sun Life 5p	£12⅛xd	+⅛	†28.5	—	—	—
£69⅜	£39	VTaisho M EOR	£50	[illegible]	q010%	—	0.8	—
£22¼	£14⅝	Torchmark $1.00	£19	+¼	Q$1.00	—	3.2	—
385	235	Trade Indemnity	330xd	+2	†4.3	—	1.6	—
£34	£24⅞	Travelers $1.25	£26⅞	+¼	$2.28	—	5.2	—
£30¼	£22⅝	USF & G Corp $2.50	£24	–¼	Q$2.48	—	6.3	—
£33¼	£20⅜	USLIFE Corp. $1.0	£23⅝	.....	Q$1.20	3.2	3.1	5.1
728	555	♯Utd Friendly B 10p	728	.....	21.0	—	4.0	—
464	345	Willis Faber 12½p	365xd	+21	†10.75	2.4	4.0	13.9
128	43	Windsor Secs. 10p	116	.....	†0.7	1.5	0.8	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	♯A & M Group 10p	28½	+1	—	—	—	♦
242	181	Airtours 10p	194	–1	R5.4	2.5	3.9	14.1
*549	302	Anglia TV	486	.....	†g11.25	3.3	3.2	13.5
194	108	♯Aspinall Hldgs. 10p	172½	+½	♦6.0	1.2	4.8	23.6
141	63	♯Avesco 1p	110	–1	0.5	6.7	0.4	31.1
65	40	♯BCE Hldgs 5p	56	+3½	Ld1.0	♦	2.4	♦
300	132	Barr & W.A.T. 'A'	292	–3	†8.0	1.4	3.8	23.8
58	19	Bond Media	47		—	—	—	—
235	165	Boosey & Hawkes	230	.....	—	—	—	—
83	45	♯Border T.V.	67	+2	1.4	♦	2.9	♦
*439	43½	Brent Walker 10p	382	+6	q8.5	2.2	3.6	18.4
122	102	Do 6pc.Cv.Cm.Red.Pf	105	+1	6.0	—	7.8	—
*292	110	Campari Int. 20p	252	.....	†3.0	5.1	1.6	12.9
306	211	Castle Commc. 5p	278	.....	R7.0	2.2	3.5	17.7
211	127	Capital Radio 10p	185	+3	W†5.0	1.8	3.7	20.1
684	370	Central TV	682	–2	†17.0	2.3	3.4	17.5
266	171	Chrysalis	260	+8	5.6	2.1	3.0	21.8
101	43	♯Cityvision 5p	100	+4	—	—	—	75.2

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

1987 High	Low	Stock	Price	+ or –
116	78	♯Moss Advertising 5p	100	+12
189	113	Norton Opax 10p	185	+2
106	96	Do 5½pc.Cv.Cm.Red.Pf.	104	.....
£28	£17¼	Ogilvy Group $1	£22⅞	–⅞
255	57	Olives Paper 20p	235	–2
336	291	♯Osborne & Little 5p	321	.....
125	53	Pegasus Communications	103	.....
226	110	♯Peters (Michael)	226	+1
*699	533	Saatchi 10p	558	+8
*138½	112½	Do. 6.3pcCnvPrf£1	114	+½
955	412½	St Ives 10p	955	+40
£52⅞	£38⅞	Scott Paper	£49⅞	–¼
695	333	Smurfit 2p	690	–5
89	73	♯Shelton (Martin) 10p	88	+2
485	248	Smith (David S.) 20p	465	+4
580	319	Smurfit (Jefferson)	575	+2
103	73	♯Space Planning Servs	100	–3
58	31	♯Stanton Exhibition 5p	52	+3
143	85	♯Sterling Pub. 5p	136	+3
245	115	♯TMD Advertising	200	.....
96	57	♯Thomas Group 2½p	80	+4
288	199	Usher Walker 10p	261	–2
546	151	WPI Group 5p	518	+4
*375	203	WCRS Group 5p	370	+1
*£11¼	534½	WPP Group 10p	838	–9
370	69	Wace Group 20p	300	–8
*339	190	Waddington (J.)	339	+2
575	252½	Watmoughs	573xd	+2
358	165	♯Wiley Mackay-Leek 10p	349	.....
287	139	Yellowhammer 5p	268	+3

PROPERTY

1987 High	Low	Stock	Price	+ or –
193	74	Allied London 10p	111	–2
*306	264	Arlington Sec 10p	280	+2
800	340	Asda Property 20p	750	.....
18	7	♯Austmark Int.	12	.....
213	155	BDA Hldgs. 10p	163	.....
415	188	BakerHarrisSaund's 10p	388	.....
£18½	380	Barlows	£17	+1

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
215	150	Crown Eyeglass 5p	215	+10	—	—	—	—
*62	18	Eglinton Explo. I.R.5	25	+2	—	—	—	—
41	15	Do. Warrants	15	–1	—	—	—	—
186	101	Far East Res. 10p	166	.....	—	—	—	—
108	95	Gardner (J.) 5p	101	.....	R1.25	2.3	1.7	35.0
53	29	Honorbilt Group 5p	47	–6	—	—	—	39.5
133	115	Leading Leisure 5p	126	.....	0.9	3.1	1.0	36.4
90	68	Lynx Tech. 5p	85	.....	b—	—	—	9.8
82	17	Publishing Hldgs.5p	61	.....	p—	—	—	35.3
87	45½	Theme Holdings	74	+1	1.0	1.9	1.9	39.7
186	140	UPL Group 10p	183	+3	L2.41	2.8	1.8	—
140	111	Unit Group	140‡	.....	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♯ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ♯♯ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98xd	+½	Fin. 13% 97/02	£106¼	.....
Craig & Rose £1	763	+25	Arnotts	375	.....
Finlay Pkg. 5p	110xd	.....	CPI Hldgs	85	.....
Holt (Jos) 25p	£10¼	.....	Carrol Inds.	188	.....
IoM Stm. £1	283	+15	Dublin Gas	40‡	.....
			Hall (R. & H.)	150	.....
IRISH			Helton Hldgs.	65	+5
Fund 11¼% 1988	£100¼xd	.....	Irish Ropes	205	–5
Nat. 9¾% 84/89	£98⅞	.....	Unidare	425	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	52
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2

* New time dealings may take place from 9.00 am two business days earlier.

Government bonds firm and equities open new account with widespread advance

The UK securities market responded favourable to the renewed pledge on world exchange rate stability at the meeting in Washington of the Group of Seven ministers and *received a further boost* in late dealings from the strong opening on Wall Street.

In the opening session of the new equity market account, investors continued to shake off the adverse effects of the poor UK trade figures for August, and turned their attention to the corporate reporting season which *has brought earnings* and dividends well up to the City's best hopes. Government bonds remained sluggish, still restrained by the overlay of stock left by the Treasury auction, but prices edged forward by half a point on the back of a firm pound.

At the close, the FT-SE 100 Index was 25.5 up at 2368.1, while the FT Ordinary Index gained 19.7 to 1851.3. Overall, equity turnover was below Friday's level, but there were a number of special situations to keep the market busy.

Prudential-Bache commented to clients on the "substantial number of companies giving real high increases in interim dividends" in the present round of corporate reports, which it sees as a *sign of balance sheet* strength. There was keen demand for selected pharmaceutical shares, and industrial equities were enlivened by important deals by TI.

Turnover in oil shares remained brisk as the market moved towards next month's sale of £7.5bn shares in British Petroleum. The major trading houses appeared confident of handling the 5m small investors expected to *invest in the issue.*

Gold shares had a quiet session, closing with small losses in the wake of the Washington meeting of the Group of Seven. The feaure was Consolidated Goldfields, finally little changed after a US Court ruled that the 15.6m Newmont shares purchased last week cannot be voted—a further legal hearing is due on Thursday. Minorco held steady following sale of shares in Salomon, the large US financial house.

The multinational stocks led the market ahead in late dealings, after reports that a large Japanese *trading house was on* the bull tack in New York. Glaxo, always a favourite with Far Eastern investors, moved ahead sharply.

Government bonds advanced in small turnover. A substantial part of the £800m stock auctioned by *the Treasury is believed to be still* in the hands of the major traders, and prices found it hard to move higher against this background.

Fisons, a firm market on Friday reflecting the Salomon Brothers recommendation, rose 13 more to 327p on a turnover of some 11m shares. Salomon were thought to have a sizeable 'in house' buying order and were responsible for the lion's share of the business yesterday; BZW also feel that the stock has underperformed the market recently and expect the *shares to move higher. Fisons* lunch with Kleinwort Grievson tomorrow.

Reckitt & Colman shares fell ⅛ to £10½ on reports of call by UK policing authorities to have the company's Temgesic pain-killing drug *reclassified as a restricted* drug. Such a move could hurt group earnings.

TI's intended acquisition of Bundy Corporation, the largest North American manufacturer of specialised small diameter tubing, via a cash tender offer, coupled with a $220m disposal brought a positive response. TI is selling six peripheral engineering *businesses which were acquired* as part of its recent purchase of Houdaille.

The latest US purchase will not materially affect the earnings in the current year but Chase Manhattan Securities reckons that *from 1988 onwards it will put the* group on a very favourable multiple to the rest of the market. The shares closed 18 up yesterday at 472p.

Storehouse advanced 37 to 386p in an extremely lively business—*some 30m shares changed hands*—as the market attempted to digest the surprise and audacious share-exchange offer from Benlox the small engineering and investment group in which Dr Ashraf Marwan holds a near 22 per cent stake, *which values the high street retail* combine at over £2bn.

Storehouse shares have now recovered from last week's decline that stemmed from Mountleigh's decision to pull out of the reckoning after failing to receive *Sir Terence Conran's approval for* its break-up bid proposals; the rally was welcome news indeed for Mr Robert Maxwell who recently acquired 12.5m Storehouse shares at 383p and 378p and was, at one stage, looking at a loss of over £4m on his investment.

Freemans provided a sharp contrast, however, and fell 25 to 237p. Interim figures from the South London-based mail-order house came out at a virtually unchanged £15.2m—well below market estimates; Wood Mackenzie, for example, were anticipating pre-tax profits around the £17m mark.

The disappointing outcome, coupled with the gloomy tenor of the accompanying statement—"original targets for full-year profits will not now be met"—does not bode well for Thursday's half-timer from rival Empire Stores where Wood Mackenzie are expecting profits of £3m. Nervous sympathetic offerings left Empire 7 down at 246p.

FINANCIAL TIMES STOCK INDICES

	Sep. 28	Sep. 25	Sep. 24	Sep. 23	Sep. 22	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.86	85.45	85.39	86.38	86.60	81.75	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.02	91.64	91.72	92.11	92.21	89.76	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1851.3	1831.6	1811.9	1843.2	1831.8	1212.6	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	462.6	467.1	456.7	451.7	447.7	323.8	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.16	3.19	3.27	3.17	3.19	4.56				
Earnings Yld.%(full)	7.73	7.81	8.00	7.76	7.81	10.47				
P/E Ratio (net) (*)	15.82	15.66	15.30	15.76	15.66	11.71				
SEAQ Bargains (5 pm)	37,445	47,178	39,901	38,460	35,829	—				
Equity Turnover (£m)	—	1,809.22	1,774.01	2,710.82	2,006.66	552.41				
Equity Bargains	—	51,479	46,083	44,556	44,424	16,903				
Shares Traded (ml)	—	671.7	603.7	646.2	631.1	252.6				

S.E. ACTIVITY

Indices	Sep. 25	Sep. 24
Gilt Edged Bargains	132.1	129.5
Equity Bargains	333.6	298.6
Equity Value	3656.9	3585.78
5-Day Average		
Gilt Edged Bargains	130.5	133.3
Equity Bargains	304.4	294.4
Equity Value	3988.1	4020.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1838.5	1837.5	1839.6	1844.2	1844.6	1845.8	1851.9	1850.2

Day's High 1852.0 Day's Low 1835.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, * Nil=15.56.

LONDON REPORT AND LATEST SHARE INDEX: TEL: 01-246 8026

Shell were an outstanding performer in the oil and gas sector with the shares moving up ⅜ to £13⅞ in the wake of a number of buy recommendations and switching operations by leading secur*ities houses; turnover in Shell top*ped 3.3m shares.

Kleinwort Grieveson were the latest securities house to promoting a switch from BP into Shell, citing the recent hype of BP as a good reason to move into the former. *BZW recently recommended* a switch, while Warburgs and James Capel have also issued buy recommendatons on Shell.

A turnover of 16m shares in life assurance group Equity & Law was comprised mainly of shares *bought by French industrial* group Compagnie Du Midi whose brokers were bidding 433p a share for up to 15m E & L shares or nearly 15 per cent of the company. E & L closed 5 up at 435p.

Last Friday Du Midi announced a recommended cash and shares bid for E & L valuing the life group at £448m. It was Du Midi's second offer for E & L. Its first, of £403m in cash followed a £367m bid from New Zealand financier Ron Brierley who had earlier accumulated a near 30 per cent stake in E & L.

Du Midi's brokers were thought *to have narrowly failed to pick up* the full 15m share stake yesterday and analysts said there was still an outside chance that another bid—possibly from Brierley—may yet be made.

The big four banks moved narrowly with the excepton of NatWest which added 12 to 767p but a BZW "buy" lifted Bank of Scotland 16½ to 628p while news of the sovereign debt provision and bid speculation triggered good demand for Royal Bank of Scotland which closed 10 firmer at 420p.

Merchant banks showed Hill Samuel 7 up at 672p after weekend Press suggestions that disposals of parts of the bank are imminent. Guinness Peat, where Maxwell's stake was announced at 14.57 per cent and that of Equiticorp 44.23 per cent, were 2 off at 116p.

Insurances were given a boost by the Equity and Law developments and a report in the weekend Press that the Robert Holmes a court's Dewey Warren is about to bid for Willis Faber to expand its broking business and *also increase t's stake in Morgan* Frenfell; Dewey has a 5 per cent stake while Willis Faber owns a 20.6 per cent interest in Morgan Grenfell. Willis shares jumped to 374p before coming off to close a net 19 higher at 363p.

Leading Breweries put on a bright showing across the board. Guinness advanced 10 to 372p in response to the sale of its 1,000-strong Martins confectionery tobacco and newsagent outlets to an Australian consortium featuring Mr Sam Gazal's Panfida and Mr Rupert Murdoch's News International for £202m cash. The price *was generally seen as fair in* the City and reduces Guinness's gearing to around 60 per cent. Wood Mackenzie was quick to reiterate its view that the group is still the "prime buy recommendation in the sector."

Trading statements provided the interest in the Building sector. Cement producer Rugby rose 6½ to 277p following excellent half-year figures and a subsequent bullish analysts' meeting; broker Wood Mackenzie has upgraded its full-year profits forecast from £45m to £50m. John Mowlem revealed interim profits some £1m above market estimates and the price rose 14 to 520p, but Steetley's *half*-year figures, although in line with market estimates, failed to generate any worthwhile support and the price drifted off to close 5 cheaper on balance at 370p. Elsewhere, British Dredging attracted support ahead of next Monday's half-timer and rose 29 to 243p, while Persimmon rose 33 to 585p in a restricted market.

Chemicals made modest progress. Coates Brothers A rose 17 to *385p on news that* Markheath Securities had increased its stake to 20.24 per cent.

Cable and Wireless advanced 13 to 498p on a turnover approaching 10m shares reflecting hopes that it will be granted a licence to oper*ate in Japanese telecommunica*tions.

Bowthorpe dipped sharply to close 14 lower at 223p as the better than expected interims were offset by the £43m rights issue. Press comment prompted good support for Scantronic, up 17 to 220p.

A forecast of 6 per cent growth in engineering output this year generated demand for quality stocks. GKN rose *10 to* 418p, Glynwed put on 13 at 535p and IMI gained 9 at 256½p. Ransomes Sims were also a good market at 343p, up 9, while buying inquiries in a limited market took Bromsgrove 10 higher at 182p.

Gathering hopes of increased consumer spending were reflected across the Food sector. *Persistent rather than aggressive* buying brought double-figure rises to many leading issues, including J. Sainsbury, 280p, Rowntree, 555p, RHM, 354p and Dalgety, 385p. Awaiting tomorrow's half-yearly figures, Tesco *moved up 3½ to 198½p.*

International stock were in fine fettle and were led higher by Glaxo which moved ahead to close ⅛ higher at £17¾ reflecting US demand. Beecham firmed 3 to 588p ahead of the forthcoming US pre*sentation, while Pearson* gained 26 to 941p on speculation aroused by a plethora of Press comment over the weekend. British Aerospace were boosted by its latest contract award and a Hoare recommendation and rose 21 to 535p, while *BOC found support at 550p,* up 80.

Parker Knoll A advanced 80 to 770p in reply to the excellent preliminary results, while Hunter, first-half figures due today, moved up ⅛ to £11½. A broker's recommendation in the wake of recent *good figures lifted* Worcester ⅝ to £10⅝, but "take profits" advice clipped 13 form Spring Ram, at 518p. Speculative buying lifted Widney 10½ to 76½p. H. Barret gained 17 to 139p.

Properties emerged strongly from a quiet spell and Land Securities gained 15 to 610p, while MEPC rose 13 to 568p. Advice in a *technical publication stimulated* demand for Evans of Leeds, 18 up at 208p, while speculative interest raised Consolidated Tern 16 to 88p. A fresh rise of 13 to 71p in Sheafbank brought the announcement that the directors knew of no *reason for the sudden strength of* the shares. Helical Bar, which has recently enjoyed a speculative run, ran into profit-taking ahead of today's interim results and lost 20 to 342p.

Sparkling interim profits from Tootal caused a hasty revision of full-year predictions with some analysts pencilling in a figure of £38m plus compared with £30.2m. The shares traded briskly and closed 5 up at 159p. Elsewhere, *Early's of Witney lost 7 to 147p* after news of the first-half loss.

Overseas Traders highlighted Inchcape which advanced 31 to 911p reflecting widespread satisfaction with the near-40 per cent upturn in first-half profits *which exceeded the best City esti*mates by some £2m. Support spread to encompass Harrisons and Crosfield which improved 23 to 747p, helped to a certain extent by a buoyant palm oil price.

Traded Options

Traded options began the week in relatively subdued form. Total contracts struck amounted to 36,266, a figure made up of 24,646 calls and 11,620 puts. *Much of the* session's activity centred on the FT-SE 100 index which contributed 2,533 calls and 2,349 puts reflecting sizeable hedging operations. Operators were active again in Amstrad as investment *interest*, recently spurred by the new word processor launch, gathered pace in front of today's preliminary results; Amstrad attracted 2,163 calls, 1,006 of which were transacted in the December 200 series, and 979 puts.

Traditional Options

- First dealings Sept 21
- Last dealings Oct 2
- Last declaration Dec 17
- For Settlement Dec 28

For rate indications see end of London Share Service

Call options were arranged in Dinkie Heel, Eagle Trust, Dares Estates, Amstrad, Talbex, Stormguard, Platignum, Evans of Leeds, T. Cowie, Abaco, Honorbilt, Kwik-Fit, Prestwick, Norcros, Stance, Amberday, Kellock Trust, Blue Arrow, Kalon and many other stocks. Puts were transacted in Ramar Textiles and Rothmans, while doubles were taken out in AB Engineering, Amstrad and Benlox.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,600	205	+2	Ladbroke	1,800	459xd	+6
Allied Lyons	3,700	450	+14	Land Securities	2,500	610	+15
Amstrad	6,000	195	—	Legal & Gen	1,200	360xd	+4
Argyll Group	1,200	235	+1	Lloyds Bank	385	384	+1
Assoc. Brit. Foods	136	340	+1	Lonrho	7,400	329	+3½
BAT	1,500	693	+5	Lucas	260	785	+5
BET	3,200	294	−4	MEPC	1,100	568	+13
BICC	536	426	+1	Marks & Spencer	3,300	241	+5
BOC	632	550	+8	Midland Bank	1,200	548	−5
BPB Inds	3,200	361	+10	Natwest Bank	1,550	760	+5
BPCC	587	368	+8	Next	458	376	+2
BTR	1,400	364	+2	Pearson	929	941	+26
Barclays	691	608	—	P & O	223	739xd	+8
Bass	598	£10⅝	+¼	Pilkington Bros	5,900	330	+16
Beecham	2,800	588	+3	Plessey	4,000	215	—
Blue Circle	363	460	+5	Prudential	623	£10⅜	+¼
Boots	4,300	311½	+8½	Racal	1,600	316	+3
Brit. Airways	2,600	215	+3	Rank Org.	341	715	—
Brit. Aero	3,200	535	+21	RHM	1,000	354	+11
Brit. & Comm.	1,000	522xd	+5½	Reckitt & Col	550	£10½	−⅛
British Gas	8,600	174	—	Redland	702	512½	+7½
Britoil	1,600	330	−2	Reed Intl	3,100	573	+8
BP	4,000	376½	+2½	Reuters	265	902	—
Brit. Telecom	4,300	262	−1	RMC	1,200	512	+13
Bunzl	2,200	235	+8	RTZ	434	£13⅞	+⅛
Burton	768	294	+1	Rolls-Royce	3,800	205	+1½
Cable & Wire	10,000	498	+13	Rowntree	571	555	+1½
Cadbury Schwps	882	280	+3	Ryl Bank Scotland	1,500	420	+10
Coats Viyella	876	512	+8	Royal Insurance	1,300	585xd	+5½
Comm. Union	2,400	413	+1	STC	1,100	296	−1
Cons. Gold	401	£14⅜xd	+⅛	Saatchi & Saatchi	1,400	558	+8
Cookson	508	812	+1	Sainsbury	1,200	280	+12
Courtaulds	597	534	+4	Scott & Newcastle	2,100	268	+10
Dee Corpn	2,200	214	+2	Sears	1,500	171	+1½
Dixons Group	3,700	380	+7	Sedgwick	668	290	+3
English China Clays	89	542½	5½	Shell Trans	3,300	£13⅞	+⅜
Fisons	11,000	352	+5	Smith & Nephew	1,000	195	+1
Gen. Accident	443	£11¼	+⅛	Standard Chart	71	830	+1
Gen. Elect	9,250	216	+3	Storehouse	29,000	386	+37
Glaxo	900	£17¾	+⅛	Sun Alliance	287	£11⅛	+⅛
Globe Investment	182	186	+1	TSB	926	139	—
Granada	165	363	+2	Tarmac	2,100	303xd	+4
Grand Met	1,800	583	+13	Tesco	2,000	198½	+3½
GUS "A"	424	£14⅜	+⅛	Thorn EMI	2,300	698	+1
Guardian R.E.	483	£11	+¼	Trafalgar House	2,300	399	−6
GKN	1,400	418	+10	T'house Forte	3,900	255	+6
Guinness	2,300	372	+10	Ultramar	1,000	285	+3
Hammerson	410	663	+8	Unigate	1,200	370	+8
Hanson Trust	5,500	182½	+2	Unilever	298	645	+2
Hawker Sidd	434	593	+16	United Biscuits	551	317	—
Hillsdown Hldgs	1,300	356	+8	Wellcome	1,100	565	−4
ICI	1,600	£16⅛	+⅛	Whitbread "A"	1,200	329	+4
Jaguar	1,000	574	+10	Woolworth	4,000	357xd	—

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (166)

AMERICANS (2), BANKS (4), BREWERS (1), BUILDINGS (7), CHEMICALS (5), STORES (12), ELECTRICALS (19), ENGINEERING (7), FOODS (2), INDUSTRIALS (24), INSURANCE (1), LEISURE (3), MOTORS (3), NEWSPAPERS (3), PAPERS (3), PROPERTY (4), SHOES (2), TEXTILES (5), TOBACCOS (1), TRUSTS (38), OILS (4), OVERSEAS TRADERS (3), MINES (12), THIRD MARKET (1).

NEW LOWS (5)

AMERICANS (1) Chemical New York, CANADIANS (2) Bank Montreal, Bank Nova Scot, TRUSTS (2) St Davids Inv Tst. Inc, Biotechnology Invs.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	110	1	2
Corporations, Dominion and Foreign Bonds	17	1	37
Industrials	689	276	614
Financial and Properties	274	71	271
Oils	39	23	52
Plantations	4	1	9
Mines	53	49	88
Others	76	80	85
Totals	1,262	502	1,158

FT-ACTUARIES WORLD INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Mon Sep 28 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%))	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Sep 25 Index No.	Thu Sep 24 Index No.	Wed Sep 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (212)	993.33	+0.8	7.10	2.83	17.67	17.43	985.09	974.43	986.69	637.60
2	Building Materials (30)	1237.79	+1.5	7.66	2.91	16.28	21.17	1219.30	1197.33	1215.17	742.45
3	Contracting, Construction (33)	1835.37	—	6.70	2.73	19.96	27.76	1834.67	1819.65	1839.26	1138.82
4	Electricals (12)	2545.27	+0.9	5.04	2.65	25.39	46.23	2521.97	2508.98	2523.42	1696.68
5	Electronics (35)	2090.42	+0.4	7.71	2.40	16.92	34.51	2081.37	2059.12	2093.26	1365.94
6	Mechanical Engineering (59)	532.81	+1.1	7.43	3.20	16.92	18.70	526.82	521.13	524.04	350.25
8	Metals and Metal Forming (7)	581.96	+2.1	6.90	2.81	17.61	8.88	570.25	567.23	569.25	326.62
9	Motors (14)	405.56	+1.3	7.22	2.77	16.22	5.75	400.34	397.25	400.34	259.71
10	Other Industrial Materials (22)	1721.06	+0.3	6.05	3.02	19.66	35.24	1715.52	1702.77	1732.74	1182.85
21	CONSUMER GROUP (182)	1372.19	+1.3	5.96	2.52	21.36	17.74	1354.32	1337.38	1358.58	886.83
22	Brewers and Distillers (22)	1237.84	+2.2	8.18	2.97	15.44	17.51	1210.87	1192.70	1213.48	883.35
25	Food Manufacturing (23)	1024.11	+1.2	7.20	3.04	17.93	16.30	1012.38	1008.14	1025.91	669.78
26	Food Retailing (16)	2526.42	+2.0	5.66	2.31	23.52	36.85	2477.89	2466.71	2485.27	1842.03
27	Health and Household Products (10)	2676.72	+0.4	3.87	1.51	29.95	16.41	2666.92	2687.93	2652.23	1449.34
29	Leisure (31)	1431.09	+0.8	5.73	3.09	21.77	27.70	1420.09	1399.44	1422.12	886.73
31	Packaging & Paper (15)	697.24	+1.6	6.05	2.61	21.75	10.75	686.39	680.49	678.98	448.03
32	Publishing & Printing (13)	4906.55	+1.3	4.19	2.93	30.60	67.01	4843.42	4782.55	4799.72	2521.46
34	Stores (36)	1115.56	+1.6	6.33	2.60	21.39	14.37	1097.82	1087.18	1113.85	810.99
35	Textiles (16)	988.72	+1.3	6.95	2.53	16.68	12.15	897.81	878.41	888.18	518.15
40	OTHER GROUPS (89)	1168.85	+0.5	7.45	3.03	16.73	20.55	1163.20	1150.50	1165.24	732.93
41	Agencies (18)	1726.33	+0.2	3.65	1.32	35.96	15.86	1722.68	1716.90	1730.44	0.0
42	Chemicals (21)	1520.55	+0.6	6.46	3.02	18.92	32.41	1511.68	1504.99	1524.90	960.28
43	Conglomerates (12)	1502.47	+0.5	6.89	3.13	16.60	22.10	1495.22	1466.16	1482.30	0.0
45	Shipping and Transport (12)	2371.26	+0.3	7.11	3.47	18.47	51.44	2365.23	2351.91	2385.32	1430.44
47	Telephone Networks (2)	1088.42	+0.3	9.32	3.71	14.32	18.98	1084.64	1070.36	1084.64	713.11
48	Miscellaneous (24)	1742.74	+0.8	8.70	2.69	13.72	32.28	1728.52	1704.92	1738.83	1012.78
49	INDUSTRIAL GROUP (483)	1233.40	+1.0	6.66	2.74	18.91	18.96	1221.61	1207.36	1224.42	790.45
51	Oil & Gas (17)	2274.31	+1.1	7.29	4.26	16.95	65.09	2248.53	2214.75	2261.67	1329.37
59	500 SHARE INDEX (500)	1321.82	+1.0	6.75	2.96	18.60	22.93	1308.84	1292.95	1312.52	835.90
61	FINANCIAL GROUP (118)	873.65	+0.9	—	3.52	—	18.77	865.77	858.03	868.87	569.47
62	Banks (8)	873.60	+0.3	15.28	4.46	8.65	25.98	870.93	863.43	877.55	628.55
65	Insurance (Life) (9)	1206.62	+1.1	—	3.67	—	25.73	1193.88	1176.02	1198.58	881.22
66	Insurance (Composite) (7)	682.93	+1.1	—	4.03	—	15.97	675.79	670.86	676.88	438.82
67	Insurance (Brokers) (8)	1204.58	+1.8	9.24	4.76	13.85	36.87	1182.87	1169.21	1184.12	1154.04
68	Merchant Banks (12)	504.89	+0.8	—	2.57	—	8.31	500.67	499.97	498.59	317.72
69	Property (47)	1337.71	+1.5	3.66	2.23	35.34	14.54	1318.34	1305.50	1330.87	727.91
70	Other Financial (27)	598.16	+0.8	5.87	2.65	21.77	9.51	585.43	581.51	583.44	333.43
71	Investment Trusts (91)	1182.41	+0.8	—	2.07	—	14.35	1172.49	1164.39	1177.52	770.77
81	Mining Finance (2)	700.04	+0.3	6.53	2.50	17.40	10.41	698.19	688.22	691.99	381.95
91	Overseas Traders (10)	1314.56	+1.8	6.88	3.58	17.25	29.58	1291.85	1269.29	1272.28	666.25
99	ALL-SHARE INDEX (721)	1206.99	+1.0	—	3.01	—	21.48	1195.42	1181.64	1198.58	762.47

	Index No.	Day's Change	Day's High	Day's Low	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Year ago
FT-SE 100 SHARE INDEX ‡	2368.1	+25.5	2369.6	2348.4	2342.6	2313.4	2352.4	2336.2	2334.8	1539.2

FIXED INTEREST

	PRICE INDICES	Mon Sept 28	Day's change %	Fri Sept 25	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.42	+0.26	120.45	0.34	8.89
2	5-15 years	134.51	+0.40	134.20	0.23	10.50
3	Over 15 years	142.11	+0.52	141.38	—	10.29
4	Irredeemables	155.55	+0.62	154.58	—	8.81
5	All stocks	132.09	+0.38	131.82	0.23	9.99
	Index-Linked					
6	5 years	120.04	+0.37	119.60	—	2.18
7	Over 5 years	111.71	+0.57	111.07	—	2.60
8	All stocks	112.23	+0.56	111.61	—	2.55
9	Debentures & Loans	114.66	+0.28	114.47	0.13	7.37
10	Preference	83.04	−0.03	83.41	0.34	4.69

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 28	Fri Sep 25	Year ago (approx.)
	British Government				
1	Low	5 years	9.56	9.63	9.85
2	Coupons	15 years	9.84	9.89	10.49
3		25 years	9.68	9.75	10.50
4	Medium	5 years	10.23	10.34	11.51
5	Coupons	15 years	10.09	10.15	10.86
6		25 years	9.90	9.94	10.46
7	High	5 years	10.31	10.42	11.64
8	Coupons	15 years	10.27	10.32	11.06
9		25 years	9.94	9.99	10.59
10	Irredeemables	†	9.92	10.02	10.23
	Index-Linked				
11	Inflation rate 5%	5yrs	3.45	3.57	4.99
12	Inflation rate 5%	Over 5 yrs	4.09	4.13	3.75
13	Inflation rate 10%	5 yrs	3.47	3.58	3.62
14	Inflation rate 10%	Over 5 yrs	4.10	4.13	3.58
15	Debs &	5 years	11.40	11.39	11.32
16	Loans	15 years	11.39	11.38	11.46
17		25 years	11.39	11.38	11.53
18	Preference	†	10.97	10.93	11.21

‡ Opening index 2353.1; 10 am 2350.8; 11 am 2355.4; Noon 2360.1; 1 pm 2361.5; 2 pm 2363.2; 3 pm 2369.5; 3.30 pm 2366.5; 4 pm 2365.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*448)	390	62	70	83	2	5	8
	420	35	46	62	4	13	18
	460	8	25	38	22	32	38
Brit. Airways (*215)	190	27	—	—	2	—	—
	200	18	29	35	6	12	16
	220	6	17	26	12	20	28
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*367)	330	44	63	68	6	18	22
	360	28	43	54	16	25	33
	390	13	29	40	37	44	50
Plessey (*217)	180	41	47	53	1½	4	8
	200	25	33	40	5	10	14
	220	11½	21	28	12	19	24
[illegible]							

September 28. Total Contracts 36,266. Calls 24,646. Puts 11,620. FT-SE Index Calls 2,533. Puts 2,349. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	18/9	121	98	Adscene	111	+3	12.5	1.9	3.1	23.4
221	F.P.	—	261	221	Alexander (W)	261	+1	4.25	2.9	2.2	21.3
**	F.P.	—	26	21	Atlantic Assets Wrnts	21	......	—	—	—	—
††	F.P.	—	84	65	BHP Gold Mines A$0.25	79	......	—	—	—	—
80	F.P.	—	108	85	*ChemEx. Intl.	90	+2	—	—	—	—
§50	F.P.	9/9	101	58	‡Corp. Estates Prop.5p	101	......	L0.75	2.4	1.0	55.1
§106	F.P.	—	158	135	‡Dolphin Pack 5p	150	−2	L2.0	3.5	1.8	21.3
10	F.P.	11/12	12¾	10	EFM Dragon Trust 5p.	12⅜	+⅛	—	—	—	—
‖‖	F.P.	—	261	253	English & Caledonian Inv.	261	......	—	—	—	—
**	F.P.	—	67	63	First Spanish I. T. Wrnts.	66	......	—	—	—	—
100	F.P.	—	107	99	G.T. Venture 50p.●	99	......	—	—	—	—
‖‖	F.P.	—	135	92	‡Guidehouse Grp. 1p.	130	−5	—	—	—	50.0
‖‖	F.P.	—	110	70	Do. Warrants	105	−5	—	—	—	—
**	F.P.	—	23	22	Independent Inv. Wrnts	22	......	—	—	—	—
121	F.P.	—	154	78	Ketson	135	......	—	—	—	—
§100	F.P.	—	145	108	Kingston Oil & Gas 50p	121	+6	—	—	—	—
100†	F.P.	—	177	115	*MedBrace 10p	177	+7	—	—	—	—
—	F.P.	—	98	55	Moorgate Inv. Warr.	90	+3	—	—	—	—
§100	F.P.	—	103	103	New Guernsey Securities	103	......	—	—	—	—
§110	F.P.	4/8	281	185	‡Parkway 5p.	250	+2	R1.5	4.2	0.8	39.4
$10.58	F.P.	—	$21¼	$15	Portugal Fund $0.01	$19¼	......	—	—	—	—
¶¶	F.P.	—	128	105	*Seacon Holdings	118	......	—	—	—	17.9
—	F.P.	26/10	118	101	Singer & Fr'dlander 10p	111	......	—	—	—	—
‖‖	F.P.	—	166	143	Zetters Leisure 10p.	162	+1	L1.5	3.7	1.3	29.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100	F.P.	—	108p	105p	A&B Research 6.2% Cnv. Prf.	108p	+1
100	F.P.	—	101p	100½p	Brit. & Comm. 4¾p.c.Cm. Red.Prf.	100½	......
100p	F.P.	—	102p	97p	Chesterfield Props 5¼pc Cr. Cm. Prf.	101p	......
¶¶	F.P.	—	145p	130p	Merlin Intl. Cum. Red. Cnv. Prf.	133p	......
—	F.P.	—	100¹⁄₁₆	99⅝	N'wide Anglia 10⅞ pc. 12.9.88	100⅛	......
—	F.P.	—	100⅛	99⅝	Do. 10⅝ pc.26.9.88	99⅝	......
‖	Nil	—	9½pm	6½pm	Next 5¾% Cnv. 2003	9½pm	+1
—	£25	13/11	25½	12¾	North Housing Assoc. 8⅞% Gtd.ln.2037	15¾	......
—	F.P.	—	270p	200p	Do. Zero Corp. Ln. 2027	220p	......
100p	F.P.	—	113p	110p	‡Randsworth Tst. 7% Cum. Cnv. Red. Prf.	110p	−1

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
350	Nil	—	131pm	108pm	AB Elect	131pm	......
30	Nil	6/11	103pm	88pm	Amal. Fin. Inv.	94pm	......
8	Nil	30/10	14pm	8pm	BOM Holdings	14pm	+1
166	Nil	28/9	3pm	¼pm	Blue Arrow 5p	¼pm	......
470	Nil	13/11	45pm	32pm	Bowater	32pm	−1
475	Nil	30/10	80pm	49pm	Brit. Vita	76pm	+2
650	Nil	28/9	103pm	88pm	‡Brookmount	103pm	......
¶¶	Nil	—	18pm	10pm	CDFC Units	13pm	......
90	Nil	—	6½pm	4pm	Christy Hunt 1p	6pm	......
761	Nil	—	115pm	108pm	Collins (W.)	109pm	......
637	Nil	—	75pm	44pm	Do A N/V	44pm	......
257	Nil	30/9	57pm	35pm	‡Dewey Warren 10p	47pm	−2
75	Nil	—	11pm	9pm	Forward Technology	9pm	......
335	Nil	30/10	101pm	87pm	Greenwich Res.	93pm	......
48	Nil	26/10	32pm	19pm	Helene of London 10p	30pm	−1
45	Nil	—	13pm	9pm	Inoco	11pm	−1
400	Nil	—	65pm	41pm	Macarthy 20p	43pm	−2
425	Nil	—	200pm	125pm	‡Miller & Santhouse 5p.	200pm	+5
50	Nil	28/10	88pm	78pm	‡Perkins (J.) Meats	78pm	......
2½	Nil	—	6pm	3½pm	Property Trust 1p	5pm	+½
83	Nil	28/10	24½pm	19½pm	Queens Moat	23pm	......
425	Nil	—	21pm	6pm	Tyndall Hldgs	11pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or *other official estimates for 1987. L Estimated annualised dividend,* cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures: *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u Forecast, or estimated annualised dividend* rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▦ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. † Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.) ●With warrants

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

Closing prices September 28

MONTREAL

Closing prices September 28

We regret that this listing is incomplete due to transmission problems by AP.

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

LONDON — Most Active Stocks
Monday, September 28, 1987

	Stocks Traded	Closing Price	Change on Day
Storehouse	21.8m	386	+37
Fisons	11.8m	352	+5
Cable & Wire	10.8m	498	+13
Gen Elect	8.2m	218	+3
Brit Gas	6.6m	174	unch
Lucas	7.4m	329	+3½
Pilkington Bros	5.9m	330	+16
Hanson Tr.	5.5m	182½	+2
Boots	4.3m	311½	+8½
Brit Telecom	4.3m	262	−1

TOKYO — Most Active Stocks
Monday, September 28, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	282.94m	433	+10
Kawasaki Steel	188.38m	340	+10
Toshiba	188.28m	815	+22
Sumitomo Metal	81.45m	337	+12
Hitachi Ltd	78.75m	1,560	+60
Mitsubishi Elec	58.45m	718	+14
Mitsubishi Heavy Ind.	48.15m	675	+5
Nippon Kokan	45.47m	356	+11
Nisshin Steel	42.84m	633	+8
Matsushita Elec Ind	38.03m	2,080	+10

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Boots	311½	+8½
Brit Aerosp.	535	+21
Brit Dredging	243	+29
Bromsgrove	182	+10
Cble & Wrles	498	+13
Coates Bros.	385	+17
Cons. Tern Inv	88	+16
Evans, Leeds	208	+18
Grand Met.	583	+13
Guinness	372xd	+10
Inchape	911	+31
MEPC	568	+13
Mowlem (J.)	520	+14
Parker Knoll	770	+80
Pilkington	330	+16
R.H.M.	354	+11
Ryl Bk Scot	420	+10
Rugby Gr.	277	+6½
Sainsbury (J.)	280	+12
Scantronic	220	+17
Sheafbk Prop.	71	+13
Shell Trans.	£13⅞	+⅞
Stew. Wrightson	555	+25
Storehouse	388	+37
TI Gr.	472	+18
Willis Faber	365xd	+21

FALLS:

Bowthorpe	223	−14
Early's of Witney	148	−7
Freemans	237	−25
Helical Bar	342	−20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	21	AAR s	.50	1.3	23	258	37¾	37⅜	37¾	+¼
52	23¾	ADT	.92	1.8	28	1047	51¾	51¾	51¾	
31¼	16¾	AFG s	.16	.5	11	540	30¾	30⅛	30¾	+⅝
23⅞	8⅞	AGS s			23	1289	u25¼	24¼	24⅞	+1⅛
10½	6¾	AMCA				4	9½	9½	9½	
9⅜	4⅞	AM Intl			64	1648	7¼	6⅞	7	−⅛
65½	50½	AMR			12	1916	55¾	54¾	55	−⅛
12¼	8¼	ARX s			10	289	10¾	10⅜	10⅜	−¼
73½	34⅜	ASA	2a	3.2		474	64¼	62⅜	62¾	−1
20½	9¾	AVX			48	896	u21⅜	20⅞	21¼	+¾
67	41⅛	AbtLab	1	1.7	23	11123	59	57⅜	58⅜	+¼
29	23¼	Abitibi g				423	24⅞	23⅞	24⅝	+⅞
16¾	9¾	AcmeC .40		3.0	14	768	13½	13⅛	13½	+⅝
10½	6⅛	AcmeE .32b		3.5	56	21	9¼	9	9¼	+¼
23⅞	19	AdaEx 3.42e		16.		85	22	21¾	22	+⅜
19½	10	AdmM s .24		1.8	10	101	13¼	12½	13¼	+1
28⅞	12⅛	AdvSys .62t		2.3	18	150	26⅞	26⅞	26⅞	
24½	12⅞	AMD				7284	22¾	22⅛	22⅛	+¼
56⅜	47	AMD pf	3	5.6		395	53⅜	52¾	53⅜	+⅝
11⅞	5¼	Adobe				289	9¾	9¼	9¼	−¼
20½	14¾	Adob pf 1.84		9.5		52	19⅜	18⅞	19⅜	+½
21⅞	17	Adob pf 2.40		12.		16	20¾	20½	20½	
15	10⅜	Advest .12a		1.1	9	91	11½	11¼	11¼	
68¼	53	AetnLf 2.76		4.6	8	2140	60⅜	59¾	59⅞	+⅛
83½	28⅛	AfilPb s .32		.5	22	780	71	70¼	70½	−½
26⅞	18⅝	Ahmans .88		4.3	7	5882	20⅞	20⅜	20½	
5⅜	2⅞	Aileen				318	3	2⅞	3	−⅛
53⅞	32⅝	AirPrd	1	2.0	22	x1437	49⅞	48	49¾	+1¼
[illegible]										

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
106⅛	96½	OhE pf10.48		10.		z10	100⅛	100⅛	100⅛	
24⅝	12	OhMatr .40		2.0	24	159	19¾	19½	19⅝	
93	77½	OhP pf 8.04		10.		z50	79	79	79	−1½
97½	73½	OhP pfB7.60		10.		z100	75	75	75	+⅛
27⅜	21¾	OhP pfG2.27		10.		22	21⅞	21⅞	21⅞	
36⅝	28⅝	OklaGE 2.18		7.1	11	252	30¾	30½	30¾	+⅛
11¾	10	OklaG pf.80		8.0		z200	10	10	10	−½
56¼	39⅝	Olin	1.60	3.0	19	437	54¼	54	54	+⅛
11⅜	6⅝	Omncre				77	9¾	9½	9½	+⅛
22¼	6½	OnLine s			23	791	19½	19	19	−¼
19⅝	8	Oneida s .40		2.3		72	17⅞	17⅝	17⅝	−¼
44	30	ONEOK 2.56		7.7	20	299	33⅝	33	33⅛	+⅛
13⅝	10½	OpnhCn				127	10⅞	10¾	10⅞	+¼

We regret that this listing is incomplete due to transmission problems by AP.

P Q

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
124½	64½	PhilMr	3	2.5	17	11731	119¾	117⅞	119⅛	+2⅞
23⅞	13⅝	Philpln .44		2.1	16	77	20⅞	20⅜	20½	−⅛
27⅜	18⅝	PhilGl .80e		3.2	12	49	25	24⅞	25	
18¾	9⅝	PhilPet .60		3.6	47	4351	17⅛	16½	16⅞	+¼
24¾	22	PhPt pf1.73		7.0		22	24¾	24⅝	24⅝	
26½	15⅝	PhlVH s .28		1.8	12	502	16	15⅞	16	
13½	5⅛	Phlcrp n				245	6	5¾	6	+¼
71	42¼	PiedAv .32		.5	15	1155	64	63⅝	63⅝	−⅛
71	55	PiedA pf				260	65⅞	65¾	65¾	
28¼	19⅞	PiedNG 1.32		5.6	11	12	23⅝	23⅜	23⅜	
14⅝	7¼	Pier 1 .05		.5	18	188	13	12½	12⅞	−⅛
9½	7¼	PilgRg .27e		3.2		212	8⅜	8⅛	8⅜	+¼
15⅝	7¾	PilgPr n.04e		.5	8	53	8	7⅞	8	
[illegible]										

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Dow surges on wave of bullish economic news

WALL STREET

STAGING one of their best performances in more than a month, Wall Street share prices rose sharply yesterday as investors grew somewhat more confident that the recent sharp correction was largely over, *writes Roderick Oram in New York*.

The upturn came against a background of generally encouraging news over the weekend about moves to curb the US budget deficit and reiteration by the Group of Seven industrial countries of its position on the dollar.

However, US credit markets failed to respond to the developments as a lack of retail investor demand thwarted a rally in the bond market.

The Dow Jones Industrial Average closed up 31.33 points at 2,601.50, off more than a dozen points from its session high.

Buying was tilted, however, towards the blue chips and broader market indices showed relatively smaller gains. The Standard Poor's 500 added 3.06 to 323.21 and the New York Stock Exchange composite index rose 1.60 to 180.74.

NYSE volume was moderately heavy with 186.8m shares traded compared with a sluggish 138.1m on Friday. The number of issues advancing outpaced those declining by a ratio of three-to-two.

Salomon Inc rose $2¼ to $34¾ on heavy volume. The parent company of Wall Street's largest firm agreed to buy back at $36 a share a 14 per cent stake in it held by Minorco, the Bermuda-based investment company. Salomon will also sell $700m of a new issue of its preferred shares to Berkshire Hathaway, the main corporate vehicle of Mr Warren Buffett, a leading US investor.

Salomon's shares, like other brokerage house stocks, have been severely depressed by poor earnings and intense competition in the securities industry. Investors took Mr Buffett's share purchase as a sign of approval for Salomon's longer-term prospects.

Other securities houses stocks were mixed. Merrill Lynch slipped $⅛ to $37⅞, Shearson Lehman rose $⅛ to $25¼ and Bear Stearns rose $½ to $19. Paine Webber and E. F. Hutton, both considered vulnerable to takeovers, added $⅝ to $30⅝ and $¼ to $36¼, respectively.

A modest rise in crude oil prices helped push up the oil sector. Exxon added $⅝ to $49¼, Mobil rose $1 to $49⅞, Atlantic Richfield was ahead $2⅛ to $93¾ and Amoco was up $2 to $82⅞.

Airline stocks were mixed on the prospect of higher fuel bills. AMR gained $⅛ to $55, NWA added $¼ to $57¾, Delta dropped $1½ to $51⅛ and USAir was unchanged at $46⅞. Texas Air dropped $1⅞ to $24 on the American Stock Exchange after a Goldman Sachs analyst cut his earnings forecast for the largest US airline holding company.

In the takeover arena, Bundy jumped $9¾ to $41⅛. The steel tubing and plastics group agreed to be acquired by TI of the UK for $40 a share.

Walt Disney gained $1¼ to $78¾. It agreed to pay through a joint venture with Industrial Equity $21 a share for Wrather. The hotel owner and television programme distributor was unchanged at $20¼.

Hershey Foods fell $1⅞ to $33⅞ after gaining more than $1½ earlier in the session following reports that the chocolate and foods group was a takeover target. Recent press reports said Philip Morris, up $2⅞ to $119⅛ was considering making an offer of $50 a share.

Some dealers in the credit markets suggested that a continuing lack of retail investor demand prevented bonds from rallying strongly in the face of good economic and political news over the weekend.

The lack of demand disappointed traders because they believed recent developments might have calmed investors' fears about tighter US monetary policy and further declines in the dollar.

The real test for demand will come in the rescheduled securities auctions which the Treasury announced yesterday. The sales will start today.

The 8.75 per cent Treasury benchmark long bond managed to rise some 19/32 of a point in early trading following on from gains earlier in the morning in London. But it fell back to stand only 1/32 of a point ahead by late afternoon at 92 25/32 yielding 9.87 per cent.

CANADA

ADVANCES in golds and oils lifted stocks in Toronto moderately higher, despite declines in the mining sector.

In active trading Lac Minerals rose C$⅝ to C$18⅞ and Echo Bay firmed C$⅛ to C$38½.

Among energy issues, Texaco Canada advanced C$⅞ to C$36, Imperial Oil gained C$1⅞ to C$76⅝ and Shell Canada climbed C$1⅛ to C$45⅞.

In the mining sector, Inco fell C$¼ to C$30⅛, Cominco was unchanged at C$21½ and Noranda firmed C$⅛ to C$35⅛.

Blue chips gained ground with Seagram rising C$¼ to C$100¼

SOUTH AFRICA

LIGHT EARLY profit-taking pared Friday's advances in Johannesburg gold stocks, but prices closed mixed as the bullion price held steady.

Vaal Reefs added R1 to R480 and Grootvlei 50 cents to R14.50, but Sovaal fell R3 to R208 and Leslie dipped 40 cents to R8.40.

Lydenburg firmed among platinums to close at R48.25, up 25 cents, though diamond stock De Beers fell back by the same amount to R53.25. Other mining issues were steady.

Industrials also closed mixed.

KLSE to abandon 'lifeboat fund'

MALAYSIAN stockbrokers have decided to abandon a 50m ringgit ($20m) lifeboat fund set up to rescue members of the Kuala Lumpur Stock Exchange hit by forward contract losses as a result of the Pan-Electric crisis of late 1985, writes Wong Sulong in *Kuala Lumpur*.

The brokers, who met here over the weekend, said they would soon hold an extraordinary general meeting to pass a resolution asking the Kuala Lumpur Stock Exchange to terminate the scheme, which is being financed by three large local banks.

The lifeboat fund, imposed by the KLSE management with the support of the Government in May last year, has never been popular with most stockbroking firms because they are jointly liable for broking companies which have applied for a bailout under the scheme.

Brokers said the fund was no longer necessary since many of the forward contracts have been unwound by the parties concerned. Furthermore, brokers who still have forward contract obligations appear to be in a position to resolve their problems without resorting to the lifeboat since the bull run on the KLSE this year has left them in a stronger financial position.

Meanwhile, Malaysian stockbroking firms have adopted two fresh resolutions. The first will make it mandatory to report all business transactions conducted outside the trading floor. The second will amend the exchange rules to allow corporations to become 100 per cent owners of securities firms.

The second resolution is designed to accommodate three local banks which recently obtained Finance Ministry approval to set up wholly-owned stockbroking subsidiaries. The three banks must each donate 5m ringgit towards the development of the KLSE as a condition for winning the new licences.

A third resolution, to establish a graduated commissions scale, was withdrawn to allow the brokers more time to examine its legal aspects and to observe the workings of a similar system across the causeway in Singapore.

Malaysian brokers said they were also holding fire on the introduction of a new delivery system. They said they would study its introduction on the Singpore exchange before considering adopting it in Kuala Lumpur.

The Singapore and Kuala Lumpur exchanges are closely linked, but there are moves in Malaysia to work towards a complete separation of the two exchanges. It is widely felt that the present links are hampering the full development of the KLSE.

EUROPE

Blue chips lose ground as foreign buyers disappear

THE OUTCOME of the weekend meeting of Western finance ministers in Washington gave little fresh impetus to major bourses in Europe yesterday. Movements were generally lower with only Amsterdam, Zurich and Milan quietly higher. Scandinavian markets saw the sharpest falls after weeks of good gains.

Frankfurt ended a quiet bourse narrowly mixed with an easier bias. Investors were sidelined in the absence of any new developments and turnover was thin. The Commerzbank index of 60 leading shares slipped 5.1 to 1,954.1.

Blue chips traded within narrow ranges, electricals edged higher and financial shares were easier.

Siemens rose DM2 to DM656.50 and AEG firmed DM1.10 to DM328. High-tech Nixdorf added 50 pfgs to DM826.50 but PKI fell DM5 to DM825.

Bonds fell in quiet trading with slack investor demand. The Bundesbank bought DM32.6m worth of paper, reflecting thin market volume.

Paris remained subdued as concern about short-term prospects for economic growth dampened buying interest and pushed share prices narrowly lower. The CAC index slipped 1.4 to 417.6.

Financial issues were weak as interest rate fears continued to mount. Among bank shares, UFB eased FFr16 to a low of FFr504; Cie Bancaire was down FFr19 at FFr640 and Locafrance shed FFr20 to FFr630.

Leading blue chips were mostly lower with only a few minor gains.

Amsterdam took its lead from a higher opening on Wall Street which lifted prices firmer in thin trading. The ANP-CBS index added 1.0 to 102.1.

In blue chips, Akzo gained 80 cents to Fl 177.70 and Royal Dutch advanced Fl 8.20 to Fl 269.70. Philips, which announced a marketing agreement with John Fluke of the US, firmed 70 cents to Fl 51.30.

The stock exchange suspended trading in Van Ommeren and Ceteco after transport company Van Ommeren said it would make a public offer for the trading and industrial corporation.

Zurich was underpinned by the stable dollar which helped share prices slightly firmer in selective trading. The Crédit Suisse index moved up 6.1 to 1,167 in moderate trading.

Major banks edged higher and export-oriented industrials firmed. In chemicals, Ciba-Geigy gained SFr45 to SFr4,120 and Sandoz advanced SFr150 to SFr6,300.

Engineerings gained ground. Brown Boveri picked up SFr40 to SFr2,930 and Sulzer gained SFr75 to SFr5,975.

Hoffmann-La Roche advanced SFr100 to SFr15,300 after ICN Pharmaceutical of the US announced that it had acquired 6.3 per cent of voting stock in the company. (Feature on page 25).

Brussels edged lower as investors remained cautious. The Brussels stock index shed 4.99 to 5,141.46 in thin trading.

Solvay continued to pace the market on expectations that the chemical company will announce strong results this week. Solvay, which advanced BFr200 on Friday, added a further BFr325 to a year's high of BFr15,850.

Banks and holdings were broadly lower while industrials ended mixed.

London

CHEERED at the opening by the G-7 finance ministers' renewed pledge to stabilise currencies and, later in the session, by a strong Wall Street opening, London equities advanced solidly.

The FT-SE 100 index added 25.5 to 2,308.1 and the FT Ordinary index closed up 19.7 at 1,851.3.

Government bonds edged higher by the close on the stronger pound. Details Page 46.

Oslo fell sharply on reports that the Labour Government will propose a one per cent share turnover tax within the week. The all-share index dropped 11.36 to 415.79 in low turnover worth NKr108.9m.

In the small insurance sector, Storebrand fell NKr30.5 to NKr408, while in industrials Hafslund dropped NKr16.5 to NKr596.

Stockholm weakened as buyers disappeared and turnover tailed off. The Veckans Affarer all-share index shed 34.6 to 1,153.9.

Blue chips took the brunt of the fall in prices. Skandia fell SKr10 to SKr194 and Astra's B-free shares were down SKr8 to SKr252.

Milan saw an active session with attention centred on the Fiat group. The Milan Stock Index advanced 19 to 888.

Madrid moved quietly lower after a mixed session. The general index slipped 0.23 to 309.59

ASIA

Nikkei extends rise on bustling trade in steels

TOKYO

ACTIVE BUYING in large-capital steels and heavy electricals drove the market sharply higher in Tokyo yesterday, with the Nikkei stock average surging for the fourth successive trading day, *writes Kenji Sakamoto of Jiji Press*.

The bellwether index advanced 324.55 points to 25,837.34 after climbing 406 points at one stage. Volume swelled from last Friday's 945.96m to 1,504.20m shares, reflecting the busy trading in large-capitals. Advances led declines by 670 to 240, with 113 issues unchanged. On Saturday, 1,455.19m shares changed hands in the half-day session.

Major securities companies started trading for the new fiscal year which pushed the volume up. Brokerages and institutional investors also stepped-up their trading and strengthened buying interest.

The reconfirmation in Washington of the Group of Five (G-5) industrial countries' policy to maintain exchange rates at current levels also helped the market sprint ahead. News that Bank of Japan Governor Satoshi Sumita had denied the possibility of raising the official discount rate also fuelled buying enthusiasm.

Large-capital steels and heavy electricals were in the spotlight. Nippon Steel topped the active list for the 10th consecutive session, with 282.94m shares traded, and closed Y10 up at Y433 after climbing Y14 to a record of Y437.

Kawasaki Steel, second busiest with 108.39m shares traded, was up Y10 to Y340 after advancing Y16 to Y346, only Y1 shy of its record. Sumitomo Metal Industries, fourth most active with 91.49m shares, surged Y12 to Y337, Nippon Kokan, eighth with 45.47m shares, was up Y11 to Y356 and Nisshin Steel, ninth with 42.04m shares, advanced Y8 to Y633.

In the heavy electrical sector, Toshiba was actively traded with 100.20m shares and rose Y22 to Y815, topping its record of Y808 for the first time in about four and a half months. Hitachi, fifth most active with 78.75m shares, gained Y60 to a record Y1,560, while Mitsubishi Electric, sixth with 50.45m shares traded, ended Y14 up at Y716 after hitting a peak of Y719 at one stage. Mitsubishi Heavy Industries was also actively traded and firmed Y5 to Y675.

The 10 most active stocks accounted for 59.0 per cent of overall trading volume.

High-tech stocks were also favoured: Matsushita Electric Industrial, 10th most active with 38.03m shares traded, closed Y10 higher at Y2,800 after surging Y60 to a record Y2,850.

Bonds edged lower on small-lot selling and institutional investors were sidelined awaiting the outcome of talks between the Ministry of Finance and a Government bond underwriting syndicate on issue terms for October Government debts. The yield on the 5.1 per cent Government bond due in June 1996 rose from Saturday's 5.695 per cent to 5.785 per cent.

On the Osaka Securities Exchange (OSE), buying interest gathered momentum and centred on large-capital and high-tech issues.

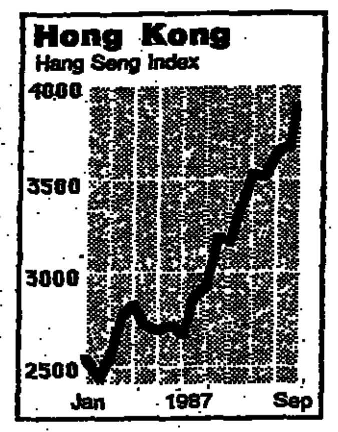
The OSE stock average climbed 288.99 points to 26,043.44. Turnover rose by 92.51m shares from last Friday to 198.55m shares.

HONG KONG

SUSTAINED BUYING, notably of property and banking issues, lifted Hong Kong prices to yet another all-time high in record turnover. The Hang Seng index added 44.54 to 3,884.65 in trade of HK$4.07bn, beating Friday's previous high of HK$3.45bn.

Hang Seng paced banking issues with a HK$2.25 rise to HK$51.50, with East Asia 50 cents up at HK$35.50 and Hongkong Bank 20 cents at HK$11.10. Properties were led by Cheung Kong, up 20 cents to HK$13.20, and Hongkong Land, which added 15 cents to HK$8.75.

Chinese Estates was suspended at Friday's close of HK$1.97 prior to its rights issue announcement. Johnson, which said it planned a rights issue, added 10 cents to HK$12.40.



SINGAPORE

BARGAIN-HUNTING and a smattering of institutional buying helped Singapore prices extend their recent recovery. Volume was light as the market continued to absorb three big recent rights issues. The Straits Times industrial index closed up 25.32 at 1,406.99.

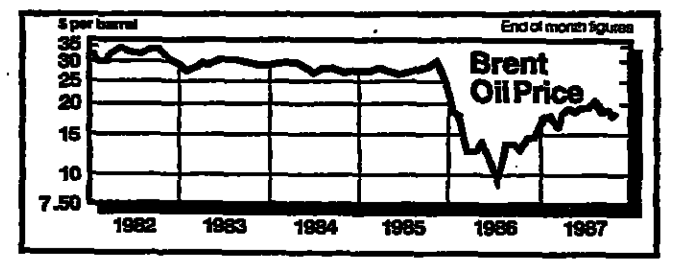
Blue chips found support and a shortage of scrip contributed to their advances. Sime Darby led the actives on strong foreign institutional demand with 2.2m shares traded and rose 10 cents to S$3.62. Jurong Shipyard, on trade of 1.7m shares, added 17 cents to close at S$3.02.

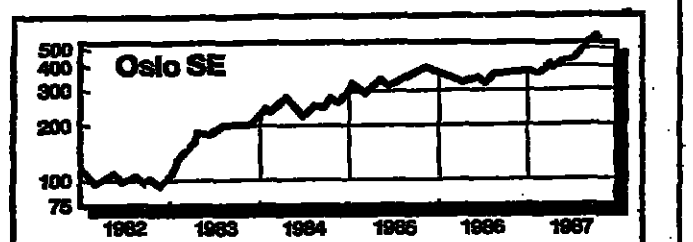
AUSTRALIA

THE SOFTER bullion price and currency uncertainties depressed Sydney share prices in modest trade. The all-ordinaries index closed down 8.1 at 2,274.6.

Golds led the falls, with Emperor diving A$1.80 to A$9.50 in thin trade. Sons of Gwalia lost 10 cents to A$13.10 and Placer Pacific 8 cents to A$3.82.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Sept 28	Prev	Year ago
NEW YORK			
DJ Industrials	2,612.27*	2,570.17	1,769.69
DJ Transport	1,043.60*	1,033.19	784.25
DJ Utilities	198.20*	195.23	201.09
S&P Comp.	324.81*	320.16	232.23
LONDON FT			
Ord	1,851.3	1,831.6	1,212.6
SE 100	2,368.1	2,342.6	1,568.60
A All-share	1,206.99	1,195.42	762.47
A 500	1,321.82	1,306.84	835.90
Gold mines	462.6	467.10	323.8
A Long gilt	9.94	9.99	10.31
World Act. Ind (Sept 25)	135.69	134.81	96.04
TOKYO			
Nikkei	25,837.34	25,095.8	17,960.7
Tokyo SE	2,140.14	2,082.10	1,503.45
AUSTRALIA			
All Ord.	2,274.6	2,282.7	1,259.0
Metals & Mins.	1,429.7	1,443.2	644.6
AUSTRIA			
Credit Aktien	226.87	225.83	(u)
BELGIAN SE			
SE	5,141.40	5,146.45	3,876.55
CANADA			
Toronto			
Met.& Mins.	3,403.7*	3,417.9	2,156.05
Composite	3,933.8*	3,936.6	2,981.9
Montreal			
Portfolio	1,955.93*	1,950.18	1,498.76
DENMARK SE			
SE	n/a	206.48	199.91
FRANCE			
CAC Gen	417.60	419.0	386.4
Ind. Tendance	106.40	106.8	92.32
WEST GERMANY			
FAZ-Aktien	636.38	637.34	682.94
Commerzbank	(u)	1,959.2	1,985.1
HONG KONG Hang Seng	3,884.65	3,840.11	2,034.36
ITALY Banca Comm.	640.47	635.71	750.90
NETHERLANDS ANP CBS			
Gen	311.50	308.3	279.5
Ind	259.00	257.2	279.7
NORWAY Oslo SE	555.80	569.35	373.80
SINGAPORE Straits Times	1,406.90	1,381.6	821.64
SOUTH AFRICA JSE			
Golds	—	2,321.0	1,843.0
Industrials	—	2,241.0	1,391.0
SPAIN Madrid SE	309.59	309.82	191.91
SWEDEN J & P	(u)	3,085.9	2,470.12
SWITZERLAND Swiss Bank Ind	716.10	709.4	545.4

COMMODITIES (London)

	Sept 28	Prev
Silver (spot fixing)	465.30p	462.60p
Copper (cash)	£1,147.00	£1,145.50
Coffee (Nov)	£1,299.00	£1,258.00
Oil (Brent Blend)	$18.635	$18.60

GOLD ($/oz)

	Sept 28	Prev
London	$462.25	$462.00
Zürich	$461.85	$461.75
Paris (fixing)	$461.16	$460.97
Luxembourg	$461.30	$461.25
New York (Dec)	$466.5	$466.6

CURRENCIES (London)

	US DOLLAR Sept 28	US DOLLAR Previous	STERLING Sept 28	STERLING Previous
$	–	–	1.6420	1.6425
DM	1.8250	1.8205	3.00	2.99
Yen	144.10	143.65	236.5	236
FFr	6.0825	6.07	9.9875	9.97
SFr	1.5140	1.5110	2.485	2.4825
Fl	2.0535	2.0490	3.3725	3.365
Lira	1,315.5	1,314	2,160	2,156
BFr	37.85	37.75	62.15	62.00
C$	1.345	1.3120	2.1655	2.1575

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 28	Prev
£	10⅛	10⅛
SFr	3¾	3 11/16
DM	4	4
FFr	8	8
FT London Interbank fixing (offered rate)		
3-month US$	7 9/16	7 11/16
6-month US$	8 3/16	8⅛
US Fed Funds	7 7/16*	7¼
US 3-month CDs	7.40*	7.675
US 3-month T-bills	6.52*	10⅛

FINANCIAL FUTURES

Sept 28	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	82-20	83-05	82-04	82-11
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.84	92.88	92.77	92.84
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.57	91.66	91.56	91.60
20-year Notional Gilt £50,000 32nds of 100%				
Dec	115-00	114-26	114-26	114-15

US BONDS

Treasury

	September 28 Price	September 28 Yield	Prev Price	Prev Yield
7⅞ 1989	98 23/32	8.445	98 29/32	8.36
7 1994	93 11/32	9.328	93 21/32	9.27
8⅝ 1997	94 19/32	9.492	94 25/32	9.45
8¾ 2017	92 11/32	9.849	92 27/32	9.60

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	September 28 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	September 28 Price	September 28 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	91.875	7.20	91.75	7.23
SCBT South Central 10⅞ Jan 1993	101	10.63	101.25	10.57
Phibro Sal 8 April 1996	86.38	10.45	87.23	10.28
TRW 8⅞ March 1996	91.66	10.25	92.29	10.26
Arco 9⅞ March 2016	93.09	10.65	94.10	10.53
General Motors 8⅝ April 2016	77.50	10.85	78.37	10.53
Citicorp 9⅞ March 2016	84.80	11.15	86.37	10.94

Source: Salomon Brothers

* Latest available figures